Value Added Statement

for the year ended
31st March 1981

	1981			1980		
	£m	£m	%	£m	£m	%
Sales		**1373·8**			1202·1	
Cost of materials and services purchased		**(974·7)**			(836·8)	
Share of profit of associated companies		**·9**			·9	
Value added by trading		**400·0**			366·2	
Investment income		**6·3**			9·1	
Exchange loss on net current assets of overseas subsidiaries		**(1·1)**			(1·4)	
Extraordinary item		**—**			2·6	
Total value added		**405·2**			376·5	
Shared as follows:						
Employees						
Pay and related costs		**261·7**	**64·6**		232·0	61·6
Governments						
Taxation on profits		**44·8**	**11·1**		39·9	10·6
Reinvested in the business						
Depreciation	**19·7**			17·3		
Profit retained	**49·0**			58·2		
	—	**68·7**	**16·9**	—	75·5	20·1
Providers of capital						
Interest payable	**2·4**			3·3		
Minorities share of profit	**·4**			·4		
Dividends to shareholders	**27·2**			25·4		
	—	**30·0**	**7·4**	—	29·1	7·7
		405·2	**100·0**		376·5	100·0

Group Profit and Loss Account

for the year ended 31st March 1981

	Notes	1981 £m	1980 £m
Sales		1373·8	1202·1
Trading profit	2	117·7	116·0
Share of profit of associated companies		·9	·9
		118·6	116·9
Investment income	3	6·3	9·1
Interest payable	4	(2·4)	(3·3)
Exchange loss on net current assets of overseas subsidiaries		(1·1)	(1·4)
Profit before taxation		121·4	121·3
Taxation	5	(44·8)	(39·9)
Profit after taxation		76·6	81·4
Attributable to minority interests		(·4)	(·4)
Profit attributable to shareholders before extraordinary item		76·2	81·0
Extraordinary item	6	—	2·6
Profit attributable to shareholders after extraordinary item		76·2	83·6
Dividends	7	(27·2)	(25·4)
Profit retained	8	49·0	58·2
Earnings per share	9	21·1p	22·5p

Sources and Applications of Funds

for the year ended 31st March 1981

	1981 £m	1981 £m	1980 £m	1980 £m
Sources				
Group trading:				
Profit before taxation		121·4		121·3
Share of profit of associates/partnership		(1·3)		(1·9)
		120·1		119·4
Distributions from associates/partnership		1·5		—
Depreciation less surplus on disposal of fixed assets		17·0		12·3
Disposal of fixed assets		5·0		8·6
		143·6		140·3
Issue of ordinary shares		1·9		8·2
Borrowed money		·3		3·1
		145·8		151·6
Applications				
Capital expenditure		66·8		81·8
Investments:				
Associated companies	40·5		·2	
Transfer of subsidiaries	(40·4)		—	
	·1		·2	
Subsidiaries	1·5		—	
Other	·3		—	
		1·9		·2
Working capital:				
Increase in stocks	28·6		41·0	
Increase in debtors	6·9		12·0	
Increase in creditors	(18·8)		(8·4)	
		16·7		44·6
Repayment of borrowed money		2·0		39·3
Payment to Boots Pension Fund		2·5		2·4
Dividends paid		25·3		23·0
Taxation paid		38·7		29·3
Other applications		·2		1·0
		154·1		201·6
Decrease in net cash and short term investments		(8·3)		(50·0)
		145·8		151·6

Investment in associated companies represents investment in FBC Holdings Ltd. resulting from the transfer of subsidiaries which comprises fixed assets £10·0m, partnership £5·5m, and net working capital and cash of £24·9m.

Balance Sheets

31st March 1981

	Notes	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
Sources of capital					
Shareholders' interests					
Share capital	10	90·6	90·3	90·6	90·3
Reserves	11	432·2	384·0	277·2	244·4
		522·8	474·3	367·8	334·7
Borrowed money	12	13·4	15·5	9·7	11·9
Minority interests		1·6	2·3	—	—
Provision for pensions	13	—	3·5	—	3·1
		537·8	495·6	377·5	349·7
Employment of capital					
Fixed assets	14	340·6	306·3	84·6	82·7
Subsidiaries	15	—	—	230·3	209·6
Investments	16	50·9	18·1	48·7	8·1
Deferred taxation recoverable	17	8·2	2·6	8·2	2·8
Net current assets	18	138·1	168·6	5·7	46·5
		537·8	495·6	377·5	349·7

Approved by the board
21st May 1981

G. I. HOBDAY
P. T. MAIN
Directors

Current Cost Statements

31st March 1981

	Notes	1981 £m	1981 £m	1980 £m	1980 £m
Group profit and loss account					
Sales			1303·8		1202·1
Trading profit on historical cost basis			118·6		116·9
Current cost adjustments:					
Depreciation and surplus on disposal of fixed assets		(25·0)		(25·6)	
Cost of sales		(19·4)		(19·8)	
Monetary working capital		14·0		11·4	
			(30·4)		(34·0)
Trading profit			88·2		82·9
Gearing adjustment			·3		·2
Investment income			6·3		9·1
Interest payable			(2·4)		(3·3)
Profit before taxation			92·4		88·9
Taxation			(44·8)		(39·9)
Profit after taxation			47·6		49·0
Attributable to minority interests		(·2)		(·2)	
Extraordinary item		—		2·6	
			(·2)		2·4
Profit attributable to shareholders			47·4		51·4
Dividends			(27·2)		(25·4)
Retained profit, dealt with in general reserve			20·2		26·0
Earnings per share			13·1p		13·6p

	Notes	1981 £m	1980 £m
Group balance sheet			
Shareholders' interests:			
Share capital		90·6	90·3
Current cost reserve	2	580·3	467·9
General reserve		355·0	335·6
		1025·9	893·8
Borrowed money		13·4	15·5
Minority interests		1·9	2·8
Provision for pensions		—	3·5
		1041·2	915·6
Fixed assets	3	834·1	719·0
Investments		58·6	20·0
Deferred taxation recoverable		8·2	2·6
Stock		287·1	273·9
Monetary working capital		(121·7)	(97·4)
Other net current assets		(25·1)	(2·5)
		1041·2	915·6

Annual Report

for the year ended
31st March 1981

Introduction

Quite separately from the Annual Report we have produced, for each of the last five years, a Special Report to Staff. This was sent out to the Staff at the same time as the Annual Report went out to Shareholders. Its aim was to present the salient points of the Annual Report together with information and background material of special relevance to our employees.

This year, the Directors have concluded that so much of the information thought to be of interest to Staff must also be of interest to our Shareholders. They therefore decided upon the form of presentation which you now have before you.

All our Staff will receive that part of the Report printed on white paper. Management, and those of our Staff who serve on Staff Councils will receive additionally the financial information, required under Company Law, which is printed on the buff coloured paper stapled as an insert into the centre of this document.

The Notice to shareholders relating to the Annual General Meeting appears on page 2 of the centre section.

Contents

Statement by the Chairman

Sir Gordon Hobday

In the year 1980-81 the Company achieved world-wide sales of £1,373·8m, an increase of 14·3% over the previous year, but the profit before tax at £121·4m showed only a very small increase over last year.

Counter sales in Boots The Chemists increased by 15% of which about 3% was real growth. National Health Service dispensing was affected by the increase in levy and the number of prescriptions dispensed was reduced. We believe that we are inadequately reimbursed by the Government for dispensing and the reduction in profitability, which affects other contractors as well as ourselves, will inevitably have a serious effect on the service we provide unless better terms can be negotiated. Timothy Whites continued to make good progress with a sales increase of 18% of which about one-third was real growth. Our retail operations overseas made progress despite the difficulties faced. Overall the profit from Retail Division at £77·2m showed an increase over last year of 10% despite the fact that the overseas operations in Canada and France are not yet in profit. Rising costs everywhere are an increasing burden and since most of our retailing is in this country we are especially concerned about heavy increases in rates and in costs of nationalised industry services for gas, electricity and telephones which we have had to face with apparently no prospect of any abatement.

Industrial Division produced total sales of £264·2m, an increase of 6·4%, but the profit of £42·4m was reduced by 1% largely because of inability to achieve price increases in the circumstances of depressed economies at home and abroad and also the effects of strong sterling.

In my Statement last year I said that the difficulties which confronted us on both sides of our business at home and abroad seemed likely to continue for some time. I thought that the next two years were going to be difficult and that a brighter future would depend on the success of the Government's policies. As we expected the year 1980-81 was not easy and the out-turn for our business will, I think, be regarded as reasonably satisfactory in the circumstances.

There is, of course, a considerable discussion at the present time about the success or otherwise of the Government's policies. It seems to be increasingly believed that the depression in the national economy has reached the bottom but there has not so far been a lot of evidence to suggest that real growth has begun. Some chairmen of big companies have commented on the state of the economy as represented by their own results. While the Boots business is, of course, not immune from the buoyancy or otherwise of the domestic economy, our results over the years have not given a particularly good illustration of it. Many of the things we sell are regarded as household necessities and our Boots for Value pricing policy means that we keep our prices keenly competitive and this, coupled with our nationwide distribution, usually results in our being able at least to maintain our market share. Similarly the medical products of our Industrial Division may be regarded as necessities. Although we experience difficulties with getting price increases in many countries when national economies are under pressure we will maintain our sales, if we have the right products and market them effectively, although our margins and so our profits may be affected. This last point is of course also relevant on the retail side.

We have to expect that the business climate, both at home and overseas, will gradually improve and since we have continued to invest on both sides of the business we are well placed to take immediate advantage of improved conditions as they come along. We hope, with everyone else, that it will not be too long before this happens.

The Directors recognise the ability and dedication of members of the staff at home and abroad and we wish to express our thanks for all that they have done to maintain the progress of our Company in a difficult year.

Since the annual general meeting last year there have been a number of changes in the membership of the Board of our Company. Lord Redmayne, who had been a non-executive director since 1969, retired last November having reached seventy years of age; he was a most valuable member of our board and we shall miss his wise counsel and wide knowledge of retailing. In September of last year Mr. A. D. Spencer retired from his position of Vice-Chairman and from his other executive duties after a long and distinguished career with the Company. He remained for the time being in a non-executive capacity but he has now decided to retire from the Board at the annual general meeting in July this year.

Another retirement which I have to report is that of Mr. D. E. M. Appleby. He was well known as the Finance Director of our Company, which he served for thirteen years, but he decided to leave the Company to devote his full time to farming and he took an early retirement in March.

Following Mr. Spencer's retirement from the position of Vice-Chairman, the Board elected Dr. P. T. Main to succeed him in that office. Dr. Main, who has been with us for over twenty years and a Director since 1973, was the Managing Director of the Industrial Division of the Company and the Board promoted Mr. R. N. Gunn to succeed him in that office. Mr. Gunn who joined the Company in 1951 has been a member of the Board since 1976.

Finally I should like to take this opportunity to refer to my own position. I have now served the Company for over forty years, have been a Director for twenty-six years and Chairman of the Board since the beginning of 1973. I shall be retiring from the Company at the end of this year and the Board have elected Dr. Main to succeed me as Chairman. I congratulate him and commend him to you and am confident that our Company will continue to progress under his leadership.

My career with The Boots Company has been the most interesting and satisfying part of my life and I am sincerely grateful to all the very many friends and colleagues past and present at all levels in the Company, both at home and abroad, who have given me their support and with whom it has been a pleasure to collaborate. And, of course, I am particularly grateful to the shareholders for their support and encouragement. Thank you all very much indeed.

Sir Gordon Hobday, Chairman
with Dr. Peter Main,
Vice Chairman

Sir Gordon Hobday as Chancellor
of Nottingham University. A
portrait by Norman Hepple,
President of the Royal Society of
Portrait Painters

Group Highlights

for the year ended
31st March 1981

		% change over previous year
Sales (excluding VAT)	£1373·8m	+14·3
Retail Division	£1209·3m	+15·9
*Industrial Division	£ 264·2m	+ 6·4
Exports	£ 51·1m	+ 0·4
*Including sales to Retail Division		
Trading profit	£ 118·6m	+ 1·5
Retail Division	£ 77·2m	+10·0
Industrial Divison	£ 42·4m	− 1·2
Profit before taxation	£ 121·4m	+ 0·1
Profits attributable to shareholders	£ 76·2m	
Earnings per share	21·1p	
Dividends to shareholders	£ 27·2m	
Retained in the business	£ 49·0m	
Capital expenditure	£ 66·8m	
Total value added	£ 405·2m	
Pay and related costs	£ 261·7m	

Review of the Year Retail Division

Divisional Board

H. J. Hann, *Managing Director (Chairman)*
K. Ackroyd, M.P.S.
D. Cargill
L. W. Day, M.P.S.
G. M. Hourston, M.P.S.
A. R. Ripley
B. H. C. Theobald
D. A. R. Thompson
K. R. Whitesides, *Secretary*

Divisional Results

	1981 Sales (excl. VAT) £m	1981 Trading profits £m	1980 Sales (excl. VAT) £m	1980 Trading profits £m
UK	1134·7	79·6	980·5	73·4
Overseas	74·6	(2·4)	63·0	(3·2)
	1209·3	77·2	1043·5	70·2

United Kingdom
The problems of the High Street have been front page news for much of the past year, not just here in Britain but also in the other countries of the world where we trade as shopkeepers. We however have made commendable progress despite the slump in consumer confidence brought about by high inflation rates, increasing energy costs and deepening world recession with consequent fears about future employment which has adversely affected retailing generally. It is consumer confidence and not necessarily the actual availability of money which determines spending behaviour and the collapse of confidence in 1980—reflected in the substantial rise in the savings ratio here at home—forced many retailers to cut prices and increase promotional expenditure in order to liquidate high stocks and to sustain sales volume even at a time when real personal disposable incomes were rising. Whilst our companies, through careful control, were not unduly troubled with over-stocks of our own, we were nevertheless forced to reduce prices and prune margins to combat the prolonged clearance sales of our non-food competitors.

While getting sales has been a problem, affording to run shops has been quite as difficult. Public utility charges, notably fuel costs and rates have increased faster than sales, with the nationalised industries, apparently encouraged by government, using their monopoly power to put up prices at rates out of all proportion to the increases available to private companies living in a competitive environment. Unfortunately, these increases will not abate in the coming year and we estimate the rates bill on our shops will be over £20 million, and energy needed to run them, despite careful control, will cost nearly £10 million.

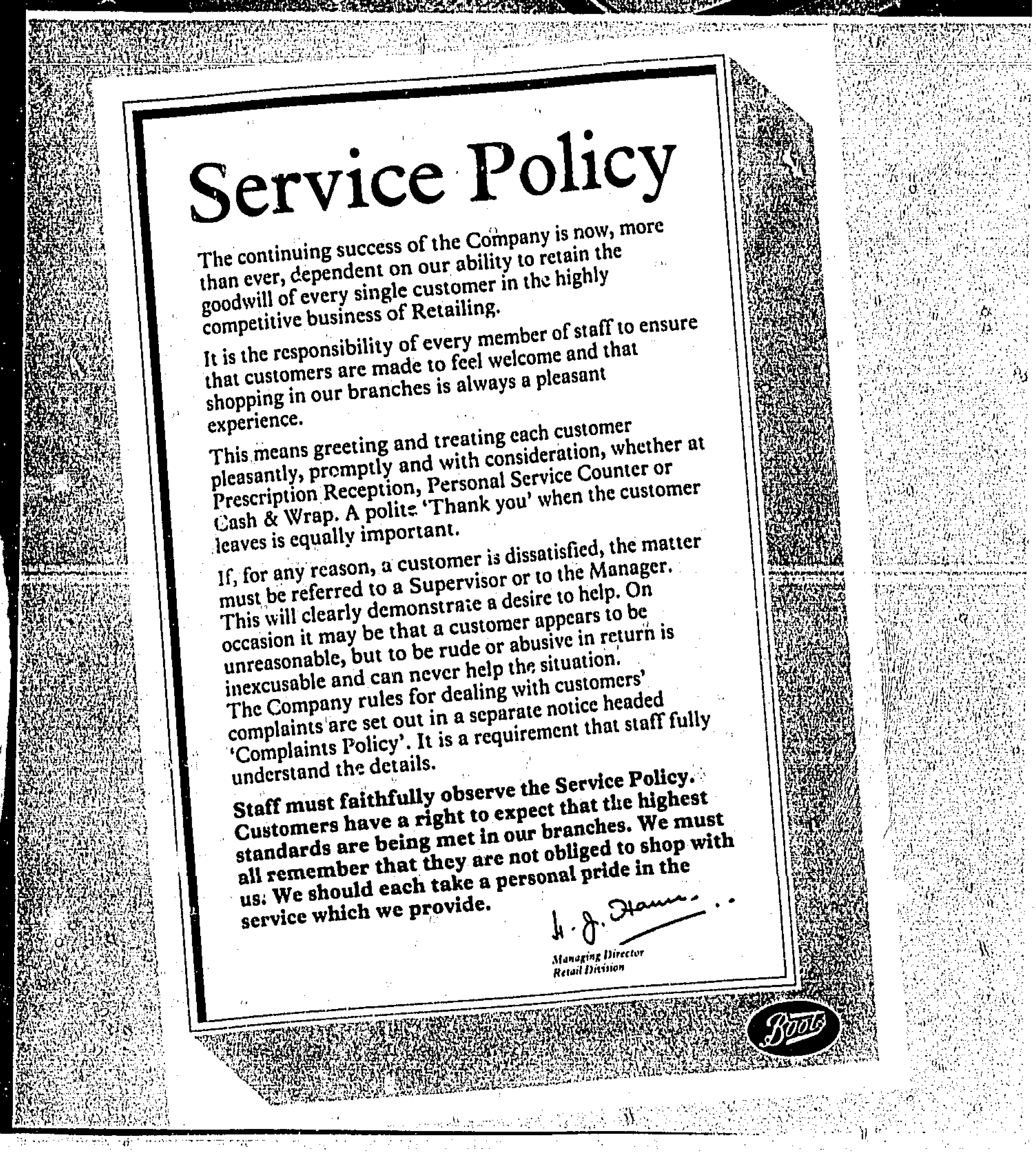
In all the circumstances, our shops have made satisfactory sales growth and profit improvement. This owes much to the loyalty of our customers who recognise the value and selection we offer and the service we provide; we thank them for their continuing patronage. The results also reflect the dedication of our staff and their determination to maximise sales, cut those costs within our control and to keep the company moving forward whatever the economic environment.

Boots The Chemists
The Chemist chain remains the dominant part of our retailing activities in terms of both sales and profits and has had a successful year. Counter sales increased by 15% which by virtue of the fact that our price increases had been kept well below the national inflation rate represents 3% real growth. Profits did not rise in line with sales because gross margins fell and expenses of running the business rose faster than sales. However, those costs over which we have control were well contained.

There was considerable variation in the pattern of trading during the year—bad weather during the summer had a depressing effect on sales of seasonal merchandise. Trade was even more difficult during the autumn reflecting national depression as bad news of the state of the economy increased. Christmas, so very important to us, was very slow until the last few days when

RETAIL DIVISION

Peter Grace, manager of our Chester branch, discussing the implications of the Service Policy Letter with senior members of his staff.



Service Policy

The continuing success of the Company is now, more than ever, dependent on our ability to retain the goodwill of every single customer in the highly competitive business of Retailing.

It is the responsibility of every member of staff to ensure that customers are made to feel welcome and that shopping in our branches is always a pleasant experience.

This means greeting and treating each customer pleasantly, promptly and with consideration, whether at Prescription Reception, Personal Service Counter or Cash & Wrap. A polite 'Thank you' when the customer leaves is equally important.

If, for any reason, a customer is dissatisfied, the matter must be referred to a Supervisor or to the Manager. This will clearly demonstrate a desire to help. On occasion it may be that a customer appears to be unreasonable, but to be rude or abusive in return is inexcusable and can never help the situation. The Company rules for dealing with customers' complaints are set out in a separate notice headed 'Complaints Policy'. It is a requirement that staff fully understand the details.

Staff must faithfully observe the Service Policy. Customers have a right to expect that the highest standards are being met in our branches. We must all remember that they are not obliged to shop with us. We should each take a personal pride in the service which we provide.

H. J. Hawes

Managing Director
Retail Division

Boots

branches experienced a hectic but welcome last minute rush and a satisfactory end result. In the early weeks of 1981 sales were buoyant but the Chancellor's Budget again undermined consumer confidence and business thereafter became much quieter.

In April 1980 we launched our new Number Seven range of cosmetics. Sales have increased by more than one third, a quite remarkable achievement in the very depressed state of the cosmetics market. During the year we introduced Sports Departments into six branches with encouraging results. These departments, which sell various ranges of sporting equipment and clothing, will be established in more branches during 1981 and thus strengthen our involvement in the important leisure market. During the year we continued our aggressive promotional programme. Boots Supersavers proved popular with our customers and made a significant contribution to business.

The profitability of our National Health Service business continues to give us concern. The two increases in the levy from 45p to 70p in April and then to £1 in December brought about a reduction in the number of prescriptions dispensed. The costs attributed to our NHS dispensing business have been inadequately reimbursed by government and the increase in fees expected under the terms of the contract has not been paid.

We have continued to invest in new and modernised shops. 23,000 square metres of selling space have been added at a cost of £30 million. Among the more important new openings were Gloucester, Bromley, Basingstoke, Poole, Kensington and Chester. In this coming year, major new branches will open in Chesterfield, Wood Green and Maidstone. Important new freehold developments will be completed in Tunbridge Wells and Elgin together with major extensions to our existing freehold properties in Cardiff, St. Albans and Newcastle-under-Lyme. However, property development is becoming increasingly expensive; rents demanded by developers and conditions imposed by local authorities are unrealistic in today's economic climate.

A very significant contribution to profit this year has been the increase in staff productivity throughout the business. Our staff have responded to the pressures placed upon us and in the warehouses for example, increased throughput has been handled efficiently with fewer staff. Likewise, in the branches even though sales area increased by around 5% we employed fewer people and achieved 6% productivity improvement. This reduction in branch staffing levels has been made possible by the painstaking application of a system of work scheduling which we have evolved, enabling us to match staff resources more exactly to work requirement.

Timothy Whites
Sales increased by 18% of which about a third was real growth. The year's figure however conceals a dramatic improvement in the fortunes of the chain during the course of the year. The first quarter's business was very disappointing, with no benefit from the early summer weather and conversely the loss of gardening business from a number of branches—this being the final major inventory rationalisation to arrive at the new merchandise concept of kitchenware, tableware and household electrical products. Business picked up with a major Summer Sale followed by a more aggressive promotional programme throughout the remainder of the year. Apart from a slack period in the autumn, sales increased strongly with real growth in excess of 10%. Business in the last quarter, spearheaded by a successful January Sale increased by nearly 30% of which over two thirds was real growth.

Clearly a small and relatively simple business such as this is significantly more volatile than that of Boots The Chemists. Nevertheless, this performance was very remarkable in the High Street environment of last year. We believe that it results from a combination of national and company factors. Nationally, small domestic electrical appliances have been selling strongly since the late summer and right through into spring 1981. There was also a national trend towards practical gifts for the home which was evident in both chains at Christmas and Mother's Day. Both of these trends are of major significance to Timothy Whites. In company terms, we are beginning to reap the benefits of the years spent developing and refining the new retailing concept. This was particularly drawn to the attention of a wider public by the issue of an autumn catalogue.

We are also finding new and better ways of exploiting the new concept and the enthusiasm and inventiveness of both management and staff have played a major part in the dramatic progress recently achieved. The future profitability of Timothy Whites is very dependent upon our ability to make substantial real sales increases year after year. Our performance this year has been very encouraging in this respect and it is reflected in the dramatic improvement in net profit. The development programme embarked upon has been rather more modest than we would have wished, being limited to openings in Ashford and Maidenhead last summer. We hope to open new stores in Cardiff, Poole, Exeter and Manchester in the course of the current financial year.

OVERSEAS

Canada
Trading conditions in Canada were also difficult during 1980. The economy generally remained stagnant, with little or no growth in consumers expenditure. In these circumstances both companies performed well, achieving further substantial increases in market share.

We are encouraged by the progress being made by the Eastern Company in its third complete year of trading. The sales increase recorded of nearly 19% included about 11% real growth, most of which was achieved in comparative branches. Coupled with tight controls over costs this resulted in a radical reduction of trading losses. A further major reduction in losses is budgeted for in 1981 with a break-even anticipated shortly thereafter. Work has started on a new warehouse to replace the inadequate existing facilities. This will be operational this summer. In the Western Company, which we acquired one year later, retail sales increased by 36% partly due to a higher number of new shops. Wholesale sales suffered badly in the latter part of the year from teething troubles with our new warehouse in British Columbia which restricted the sales increase for the year to 20%. The early trading losses from the new stores and the costs associated with the new warehouse prevented any marked reduction in the loss. However, it is anticipated that a substantial improvement will occur in 1981.

New Zealand
This small company again enjoyed a satisfactory year's trading. Our branch in Wellington was rebuilt and extended in time for Christmas business. The Beautyboots concession achieved its targets and helped the company to lift its sales levels by one third.

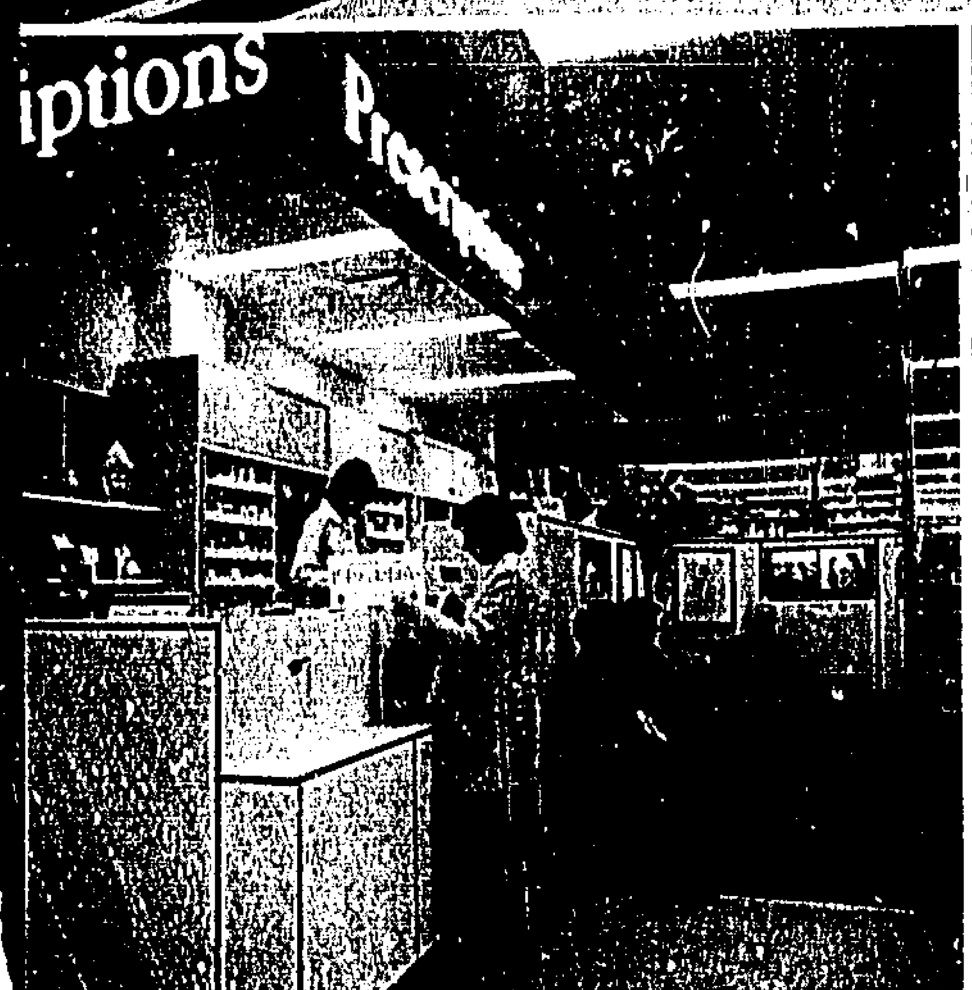
France
We have continued to make good progress in our original store in Rue de Passy and this has reinforced our belief that in Sephora we now have the right concept. We have also been encouraged by the performance of the new stores in Les Halles and Creteil, particularly in the second half of 1980 and the first quarter of this year against the background of difficult trading conditions. Results for the year were, of course, affected by the trading losses occurring in these new stores.

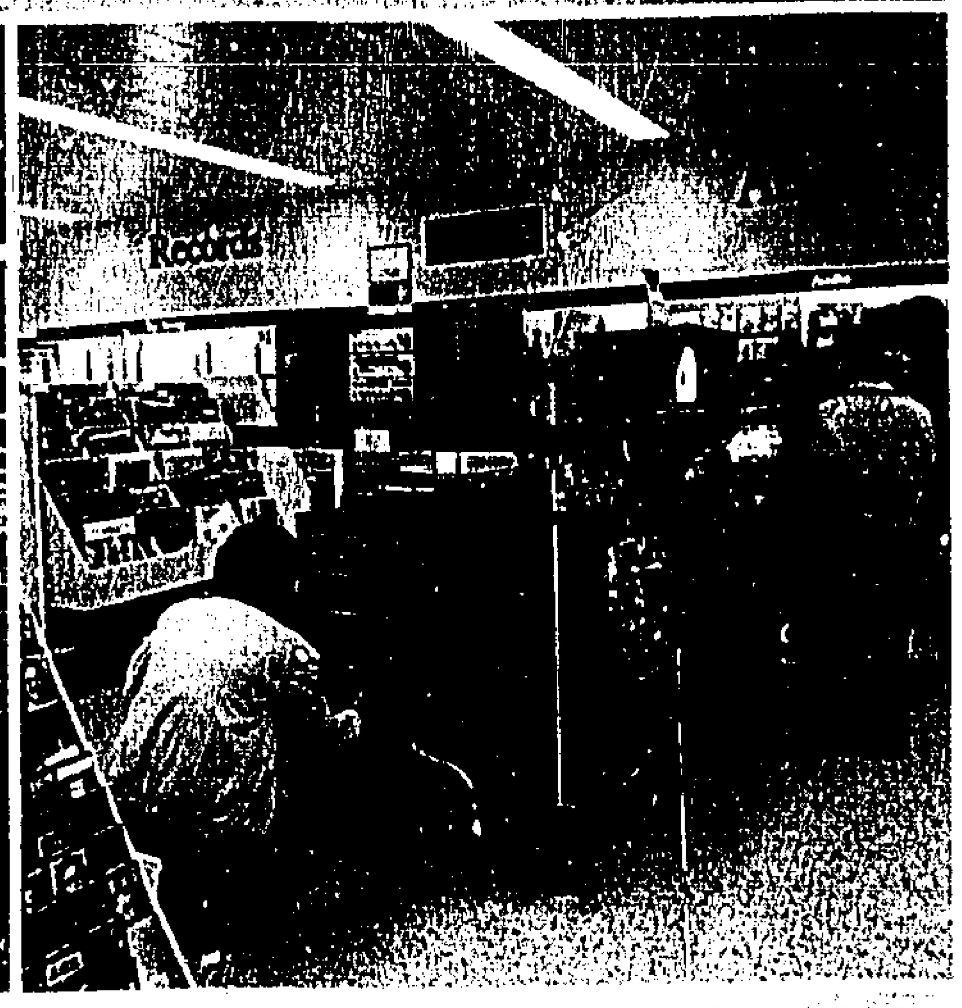
A new store opened in Paris in March in the major new shopping centre at La Défense and a further shop is planned in the city for later this year.

As foreshadowed in last year's Review, we have completed the purchase of the minority interests in the company so that it is now wholly owned.

RETAIL DIVISION

Inside our Chester branch
This branch is being used as a prototype for the selling area of Fashion Accessories.

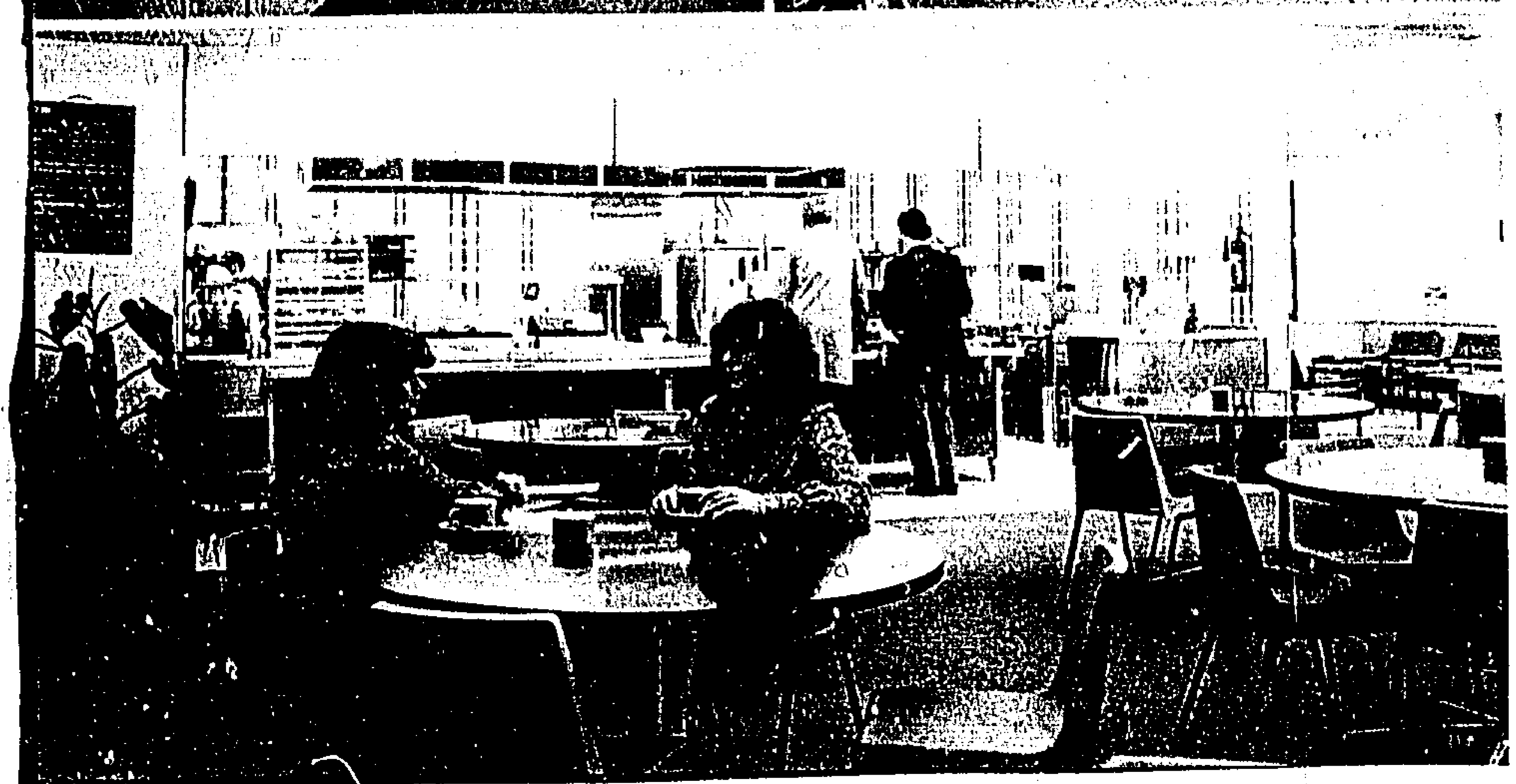




Far left:
Particular attention is paid to the positioning and layout of the Pharmacy area with the convenience of customers in mind.

Left:
Audio-Video equipment is being increasingly emphasised in our larger Audio Departments.

Below:
Tea break in our Staff Restaurant.



Review of the Year Industrial Division

Divisional Board

R. N. Gunn, *Managing Director (Chairman)*
E. E. Cliffe
A. H. Hawksworth
R. A. Johnson
S.A B. Kipping
B. Lessel
J. W. Lewin
T. G. Richardson
K. T. Robinson
J. H. Wilson
I. A. Hawtin, *Secretary*

Divisional Results

	1981		1980	
	Sales £m	Trading profits £m	Sales £m	Trading profits £m
UK and Export	204·4	33·9	198·6	34·0
Overseas	74·3	8·5	65·7	8·9
	278·7	42·4	264·3	42·9
Less: Sales within the Division	(14·5)	—	(16·1)	—
	264·2	42·4	248·2	42·9

Introduction
In the year under review total sales of the Division increased by 6·4%, with profits 1% down. This result was not unsatisfactory in a year in which we again encountered depressed trading conditions at home and abroad and sterling continued to appreciate against other currencies. The adverse effect derived from trading operations conducted in foreign currency is estimated at £2·6 million. A further factor adversely affecting the year's figures was the setting-up in December of the new associate company, FBC Holdings Limited, which merged our worldwide agrochemical interests with those of Fisons Limited. Because of this, only nine months UK and export results of agrochemicals are included, compared with twelve months results in 1979-80.

The Division now operates in two main business areas—Pharmaceuticals, by which we mean medical products normally available on doctors' prescriptions and hospital products, and Consumer Products, consisting mainly of health care, cosmetics, toiletries, specialist foods and household products. In addition, the Division manufactures and markets speciality chemicals and undertakes contract manufacturing of pharmaceutical and consumer products for other companies.

Research and Development
The development work on Froben has led to further approvals to market in most of the important markets, with the exception of the USA where a large programme of clinical trials is in progress. So far in most countries the product has been approved for the treatment of rheumatism and allied diseases. However, we expect to make applications to market for other indications, including dysmenorrhoea, in the next year. Approval will also be sought to market additional formulations.

Our research laboratories are investigating the promising utility of potential products for the treatment of rheumatism and other diseases. During the year we have obtained a licence from a US company for a new product for some markets for the treatment of angina.

The new laboratory for the development of consumer products has been completed. It will house 120 staff responsible for the development of cosmetics, toiletries, specialist foods and home brewing and household products. They will be able to work under improved conditions to develop new products of high quality and to contribute to cost reduction.

Our company in India has opened new formulation laboratories and research laboratories with priority being given to the search for new medicines for the treatment of specific tropical diseases for which we already market Furamide and Entamizole.

Manufacturing
In the United Kingdom, the effects of the recession were felt particularly strongly in the spring and early summer of 1980, when substantial

INDUSTRIAL DIVISION

The head office and main production site of FBC—our associate agrochemical company at Hauxton, near Cambridge

Sweetex, brand leader in the UK sweetener market, relaunched in 1980.

Below:
Industrial Division Managing Director, Mr. R. N. Gunn, meeting the Honourable Mr. D. C. Ugwu, Nigeria's *Federal Minister of Health*, during the opening of new production facilities in Lagos, with Mr. C. O. Lawson, Chairman, Boots Nigeria.

destocking by our customers was much in evidence. There was a further fall in staff numbers by natural wastage and between mid-1978 and the end of 1980, the total reduction was 15%. The reduction in numbers affected all grades of staff and considerable temporary and permanent redeployment was necessary—staff co-operation was of significance in minimising the problems for both the company and individuals.

Work on the new site for chemical manufacture at Cramlington in Northumberland began in August, 1980 and is currently ahead of schedule. We expect that full production of the new flurbiprofen plant will commence early in 1983.

Overseas we have made a number of additions to our manufacturing facilities. In Australia, the factory at North Rocks near Sydney has been expanded to provide additional capacity for bulk manufacture and packaging and to house the sterile production unit previously located in separate premises. New production facilities for our associate company in Nigeria were completed during the year and production has commenced on a wide range of pharmaceutical and cosmetic products. The factory was opened officially in February this year by the Honourable Mr. D. C. Ugwu, Nigeria's Federal Minister of Health. Construction of a new pharmaceutical factory and warehouse at Valenciennes in northern France was commenced during the year and is due for completion in the spring of 1982.

Pharmaceutical Marketing

Froben, our latest antirheumatic product, is now launched in 37 countries and in most of them is obtaining satisfactory market shares in a very competitive situation. Brufen has maintained its important position in our business and Prothiaden has shown some growth. However, rising costs outside our control and restraint of prices by governments again caused some erosion of profits.

In the United Kingdom, sales of our pharmaceuticals increased by 16%, largely as a result of increased sales of Brufen and Prothiaden. The new sterile fluid products sold under the brand names Steriflex and Flowfusor were the main contributors to a sales increase of 37% for our range of hospital products.

Exports to Europe were 6% down on last year. Currency exchange rates and some reduction in local stocks, were the chief causes of this result. During the year Froben was launched in Spain, Belgium and Yugoslavia. Cebutid (the brand name of Froben in France), Brufen and Esberiven were the main contributors to an excellent increase in sales and profits by Boots-Dacour, our French subsidiary. Laboratorios Liade, our Spanish associate, also enjoyed good growth helped by the launch of Froben. There were disappointing sales in West Germany of Froben and Brufen through a licensee and a distributor respectively.

Last year we mentioned the reduction in sales of ibuprofen to the USA with the ending of part of a long-term contract with our licensee. In the event we were successful in negotiating new terms to supply further quantities, though at lower prices. Our subsidiary in the USA, Boots Pharmaceuticals, Inc., had a good result with a sales increase of 27%. During the year this company successfully launched Lopurin, a product for the treatment of gout, marketed under license.

The Food & Drug Administration has at last approved the marketing of our own brand of ibuprofen, to be known as Rufen, in the USA. The first deliveries have been made and plans for full marketing are in hand. The long delay in issuing this approval has been caused by court action in which some US pharmaceutical companies challenged the procedures followed by the Food & Drug Administration.

Exports to other areas of the world showed an increase of 21% over last year. In Japan, Brufen has maintained market share against intense competition, although the market penetration of Froben has been slower than planned. Sales to African agencies were twice those in the previous year and sales to Iran and Turkey have risen despite shortage of foreign currency in these countries.

In South Africa, we have been successful in obtaining a five-year extension to the life of the Froben patent which will be of help to us in the future. Entamizole, our product for the treatment of amoebiasis, has performed satisfactorily in India. The product has also been marketed in East Africa and launches are planned for other territories. Our company in Pakistan showed a 38% increase in sales and a 34% increase in profits after a similar result in the previous year.

Consumer Products

Last year we mentioned that we were making organisational changes within the Division to give more prominence to our Consumer Products business worldwide. We already have a sound base in the United Kingdom with a wide range of Boots Own Brand products and with other lines marketed nationally through our subsidiary, Crookes Products Limited. Additionally, certain of our overseas companies have been successful for a number of years with consumer products and we have built up an export business particularly in Africa and the Middle and Far East. It is our firm intention to expand our consumer product business and during the year we established a separate Consumer Products Marketing operation under a Divisional Director which is working well.

In the year under review, supplies of Boots Own Brands showed a satisfactory increase in sales despite an appreciable reduction in branch stocks. Crookes Products Limited had a very good year helped by the relaunch early in 1980 of our sweetener brand, Sweetex, with new packaging and advertising. In October, we introduced a new one-by-one dispenser to the range. The result has been to confirm Sweetex as clear brand leader with a sales increase for the year of over 30%.

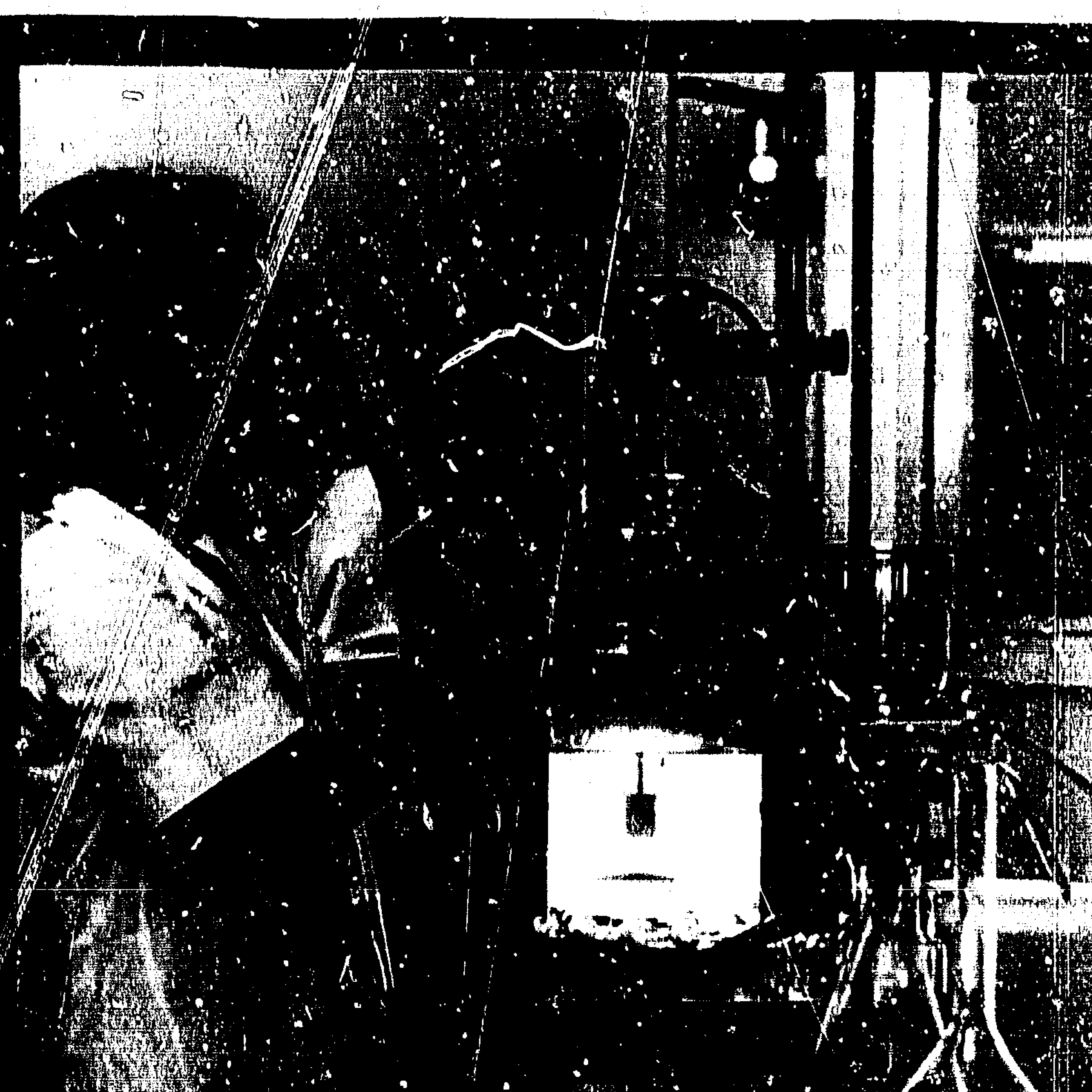
Overseas we have taken the first steps to develop a Consumer Products business in certain European markets. A range of cosmetics has been launched through our subsidiary companies under the brand name An Original Formula in Holland and Belgium and as Comme Autrefois in France. We are optimistic about its prospects in 1981. We have also laid a sound foundation on which to build our Strepsils business in a number of important overseas markets and we have plans to consolidate these efforts in 1981.

Growth of consumer products, and in particular of Dietvite, contributed to an excellent result by our subsidiary company in New Zealand where Industrial Division sales increased by nearly 60%. Our South African company recorded solid growth with consumer product sales increasing by 35%. In Thailand, total sales increased by 35%, although profits continue to be adversely affected by the under-utilisation of the production unit which was commissioned in 1979. Contracts for third party manufacture are currently being negotiated to resolve this problem.

Agrochemicals

As previously mentioned, we merged our worldwide agrochemical interests with those of Fisons Limited by the creation in December of FBC Holdings Limited, a new company with equal shares held by both parents. FBC will have a larger research base and a much stronger international organisation and we expect it to become a powerful force in world markets.

Prior to the merger, Boots agrochemical sales in the nine months to December were disappointing. In the United Kingdom, lack of disease and pest attack during the summer, coupled with a reluctance by farmers to buy forward, led to very depressed market conditions. Exports, particularly of Mitac and Taktic, held up well, but fierce competition in the United States and a severe drought in Australia badly affected our companies in these countries.



INDUSTRIAL DIVISION

The rate of dissolution of a new tablet formulation being measured in the new pharmaceutical formulation laboratories in Bombay

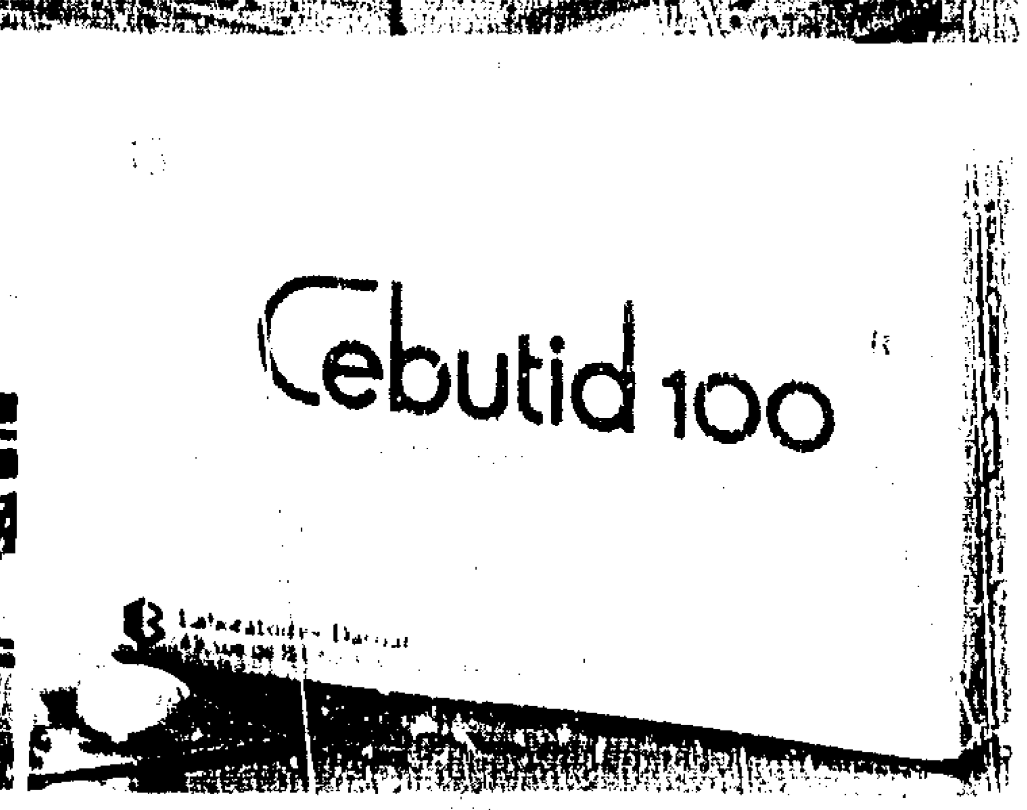
A display of our cosmetic range, An Original Formula, in a leading Brussels department store

Below left:

Part of the new sterile production unit at North Rocks, near Sydney

Below:

A pack of Cebutid, our brand of antirheumatic product in France



Central Services

Introduction
Whilst the Retail and Industrial Divisions operate separately at home and abroad they have need of the services of a number of *supporting and administrative functions.* These central services may be administratively within one or other of the operating divisions or they may be outside the divisional structure. Wherever these functions lie, they have one attribute in common—they supply services to the business as a whole.

Central services include engineering, powerhouse services, property services, printing, warehousing and distribution, accounting, security, legal, management services which include computer systems, industrial health, safety, environmental services and staff functions.

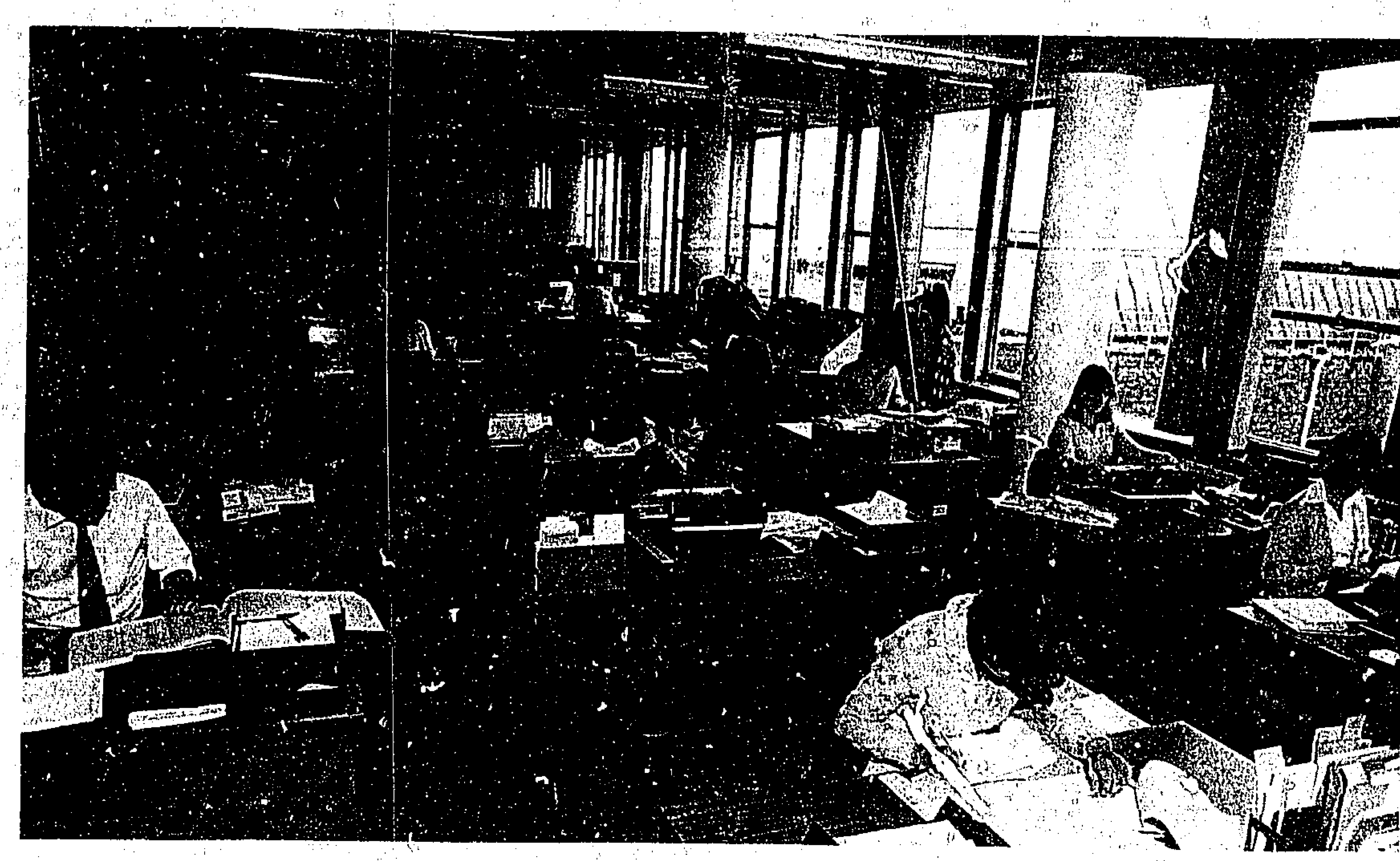
Developments
During the year we have continued to increase resources in Management Services, particularly in computer systems development, organisation and methods and operational research, and in Security Services, especially serving shops, whilst on balance reducing staff in other functions. Over 60% of the costs of administration are accounted for by payroll and travel, so the control of staff numbers is paramount.

Particular mention may be made of a very large project currently being undertaken by Management Services. The retail computer systems development team has undertaken completely to re-design and re-write the entire suite of computer programmes covering the procurement of merchandise for our retail branches—ordering, receiving, assembly and delivery, together with the associated accounting entries. Unlike many companies, where computers were originally introduced into traditional accounting areas, our first use of computers, around 1960, was to facilitate and control the supply of merchandise from our centralised warehouses to the shops. Now, with new technology and better techniques, it is possible and practicable to have a system with the flexibility to meet the changing business needs and to provide more useful management information in the process. The complete re-design of this system is an ambitious commitment. The project is now past the half-way stage; it is scheduled for completion by the end of 1983.

Amongst other developments, legal and accounting departments have contributed very substantially to the setting up of FBC Holdings Ltd. and to the preparation and operation of the two employee share schemes, whilst estate and accounting departments have handled the in-house property revaluation.

We have completed a major refurbishment of our office block in Station Street, Nottingham. This building, providing 62,000 sq. ft. of actual office area, was *originally occupied in 1960.* The building now houses mainly accounting services. The illustration shows what has been achieved.

Expense Cashiers—one of the accounting departments in Station Street.



Value Added

for the year ended
31st March 1981

Value added is the wealth created by manufacturing, distributing and marketing goods and providing services.

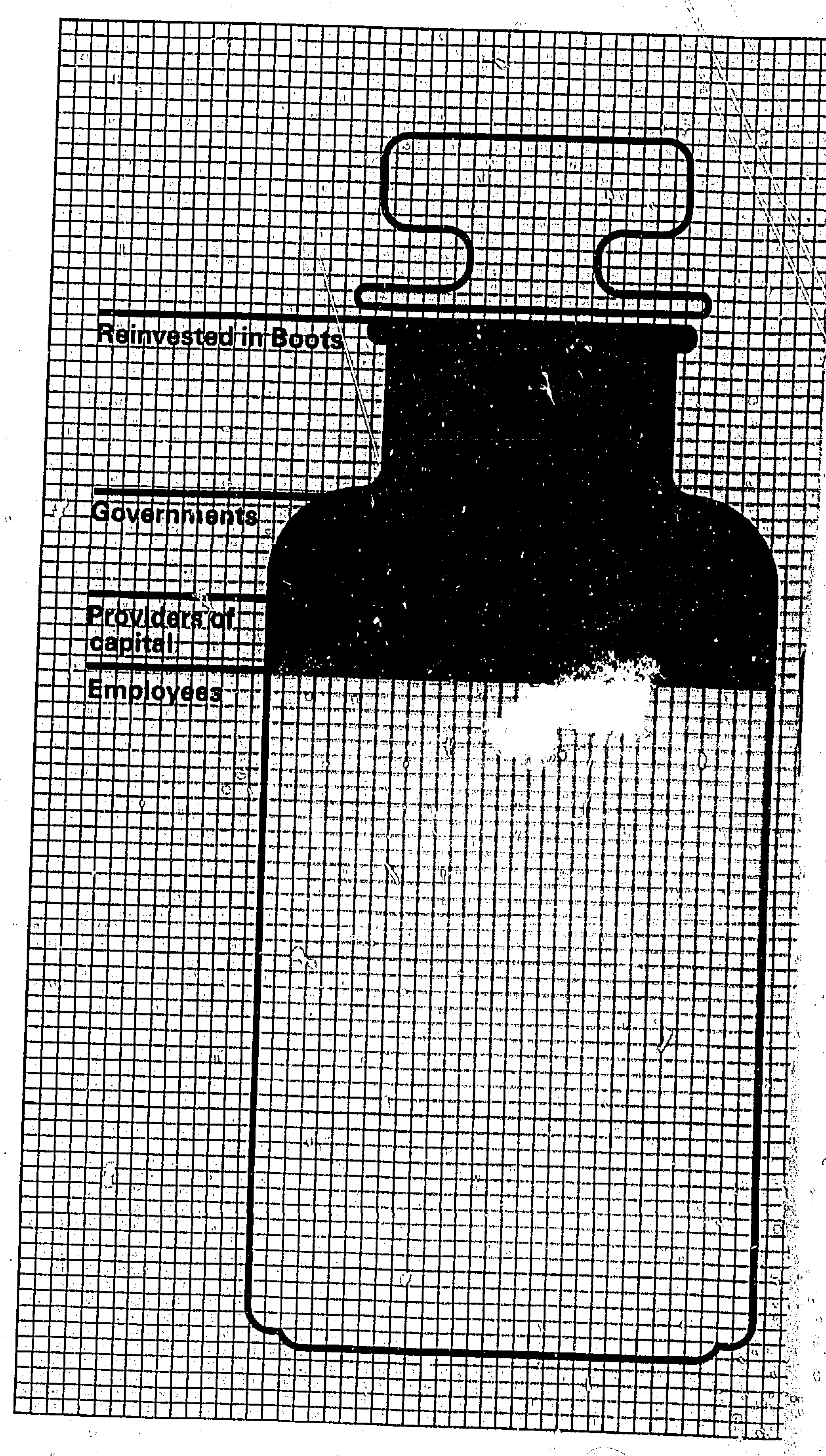
The chart shows how this value added was distributed during the year:

Reinvested in Boots
£68·7m Pays for the renewal and expansion of the business.

Governments
£44·8m Tax on profits.

Providers of capital
£30·0m Dividends and interest to those who have put money into the business.

Employees
£261·7m Wages, salaries and bonuses to staff: contributions for their pensions and national insurance.



Staff Matters

for the year ended
31st March 1981

The staff report refers to UK operations, unless otherwise stated. There have, however, been staff policy developments overseas and in future years we hope to comment more fully on them.

Staff Relations
Staff relations within the Company have remained good during the year. Staff have responded well to the efforts to contain costs and have adapted well to re-organisation and changing work situations. We acknowledge in particular the co-operation of those staff who were involved in the merger of our agrochemical interests with those of Fisons.

Employment
The Company is most concerned about the level of unemployment and has wherever possible attempted to maintain continuity of employment. Redundancy has been kept to a minimum and has only been used as a last resort where it has proved impossible to transfer staff affected into other jobs. Staff numbers in the UK have fallen by 3%, mostly through natural wastage. The Company has made places available to young unemployed school leavers under the Manpower Services Commission Work Experience Programme to enable them to experience the world of work. Wherever possible staff reaching the qualifying age are allowed to leave under the Job Release Scheme to enable an unemployed person to take up work.

Staff Share Ownership
Two new schemes approved by shareholders at an Extraordinary General Meeting in January have been established to allow staff to increase their involvement in the business by becoming shareholders. The two schemes, one linked to Profit Earning Bonus, the other to a S.A.Y.E. contract, allow staff to purchase shares with certain tax advantages. It is encouraging to note that 2,308 staff have decided to take all or part of their Profit Earning Bonus in the form of shares.

Staff Councils
The Staff Council system continues to flourish. Discussions are taking place on how the system could be improved in order to encourage even more participation in the running of the business. Some of the main topics discussed by the Central Staff Councils during the year have been:

Company Results
Pension Scheme
Report to Staff
Staff Share Ownership Schemes
Annual Holiday Entitlement
Branch Methods Improvement Programme
Structure of Staff Councils
Energy Conservation
Profit Earning Bonus

Pension Scheme
As a result of the surplus revealed at the triennial valuation the trustees, who include staff representatives, announced an increase in pensions of up to 20%. The last increase was in 1979.

A scheme to allow staff to improve their own pensions by payment of Additional Voluntary Contributions became operational during the year.

Trade Unions
During the year agreements to reduce basic hours of work from 40 to 39 for most hourly paid staff in factories and warehouses were concluded. A new agreement was signed with unions representing staff in the Shopfitting factory and representational agreements were concluded with S.A.T.A. for certain groups of staff in the Hay MSL common interest group. In retail branches the recognition agreement with U.S.D.A.W. for staff below supervisory level now applies in 43 branches.

Payment of Wages to Bank
It is hoped that it will be possible to increase the number of staff paid monthly to bank. It is intended that all new staff (other than time-workers) will be paid in this way and existing staff will be encouraged to make use of the special arrangements that have been made with a number of the High Street banks. It is not possible to extend this facility to hourly paid staff at present but we hope to be able to do so in due course.

B.U.P.A.
The Company and the British United Provident Association have jointly agreed a scheme where [illegible] of staff may join B.U.P.A. at redu[illegible]um rates. The scheme will be [illegible] this year and staff are being advised of the details.

Employment Legislation
Employers have been required again to examine in detail Employment Legislation, particularly the implications of the Employment Act of 1980. Fortunately this has not caused the Company substantially to change its policy.

Staff Numbers—*overleaf*

Staff Matters

for the year ended 31st March 1981

Staff Numbers

At the end of the year we employed a total of 64,477 people in the UK. It was divided as follows:

	SHOPS	OTHER DEPTS.
Men:		
Full-time	4,250	7,372
Part-time	3,390	7
Women:		
Full-time	18,789	5,424
Part-time	23,587	1,668
Total	50,006	14,471
Full time equivalents	32,998	14,168

On average we employed 2,333 less staff during the year but at the end of March, 1981 the total decrease in staff numbers was 1,798.

The number of staff employed overseas was 6,085, of whom 2,185 were employed by the Retail Division and 3,900 by the Industrial Division.

Length of Service

YEARS	SHOPS	OTHER DEPTS.
Less than 1	11,835	1,495
1 — 4	21,467	5,434
5 — 9	9,687	3,545
10 — 24	5,259	2,677
25 — 29	577	453
30 — 44	969	787
Over 44	212	80

Joinings and Leavings

	SHOPS	OTHER DEPTS.
Joinings	22,252	1,905
Leavings	22,414	2,583

Long Service Awards

	1980	1979
25 Years	266	328
45 Years	72	95

Disabled Staff

There are now 442 Registered Disabled people employed by the Company.

Redundancies

There were 311 redundancies during the 1980 calendar year.

Number of Working Days Lost

We do not tabulate the figures collectively for our shops and local retail support staff. However, for all other staff the figures are as follows:

REASONS	1980	1979
Sickness	165,580	177,101
Industrial Injuries	3,933	4,715
Industrial Disputes	850	NIL
Other Reasons	22,656	25,903
Total Days Lost	193,019	207,719
Days Available	3,574,426	3,608,390
Days Lost as % of Days Available	5·4%	5·8%

The absence figures show a significant fall when compared to last year. Lower absence figures help to contribute to increased productivity and staff and managers are to be commended on achieving this result. However, although lower than the National Average of 6% our figure remains higher than that of the Chemical Industry and continued efforts are therefore necessary to reduce it further.

Trade Unions

There are twelve trade unions granted full recognition by the Company. These unions form eight negotiating groups and have agreements covering 8,610 employees:

Production and Warehousing	T. & G.W.U. U.S.D.A.W.	6,100
Laboratories	A.S.T.M.S.	750
Printing	N.G.A. S.O.G.A.T.	520
Engineering	A.U.E.W. E.E.T.P.U. N.U.S.M.W.C.H.D.E. T. & G.W.U. U.C.A.T.T.	580
Shopfitting and Picture Framing	U.C.A.T.T. F.T.A.T. G. & M.W.U.	330
Transport	T. & G.W.U.	80
Production Management	A.M.P.S.	150
Laboratory Management	A.M.P.S.	100

Directors and Officers of Principal Subsidiaries

Boots The Chemists Ltd.

Chairman
H. J. Hann

Directors
K. Ackroyd, M.P.S.
C. C. Biggar
A. A. Binney
D. J. Budge, M.P.S.
S. R. Burdon, M.P.S.
D. Cargill
H. A. N. Clark
R. G. Clow, M.P.S.
K. J. Cole, M.P.S.
J. Craig, M.P.S.
J. G. Davies, M.P.S.
L. W. Day, M.P.S.
D. N. Edmundson
J. J. E. Fergusson, M.P.S.
A. K. Fox, M.P.S.
M. Gibson
A. B. Groves
D. Happs, M.P.S.
J. M. Hobson, M.P.S.
G. M. Hourston, M.P.S.
K. Jervis, M.P.S.
J. Joffe, M.P.S.
J. P. Lewis, M.P.S.
A. B. McInnes, M.P.S.
M. Owens, M.P.S.
J. A. Prescott, M.P.S.
A. P. Ridley-Thompson
A. R. Ripley
B. Silverman, F.P.S.
I. M. Smellie
G. R. Solway
A. D. Spencer
B. H. C. Theobald
D. A. R. Thompson
B. Uttley, M.P.S.
R. D. Wroughton, F.P.S.
J. D. Wykes, M.P.S.

Secretary
K. R. Whitesides

Timothy Whites Ltd.

Chairman
H. J. Hann

Directors
K. Ackroyd, M.P.S.
J. W. Berry
E. A. Cleaver
A. D. Spencer
B. H. C. Theobald

Secretary
K. R. Whitesides

Boots Pure Drug Co. Ltd.

Chairman
R. N. Gunn

Directors
A. S. Beidas
G. Buxton
J. B. Carnell
E. E. Cliffe
R. E. Collard, F.P.S.
A. E. Davis, F.P.S.
A. H. Hawksworth
S. A. B. Kipping
S. Pierce
Joyce M. Savage
C. E. G. Scarth
T. S. Simpson
J. H. Wilson

Secretary
I. A. Hawtin

Boots International Ltd.

Chairman
R. N. Gunn

Directors
S. S. Adams
E. C. Bosworth
J. W. Buckler, M.B.
E. E. Cliffe
R. A. Johnson
B. Lessel
J. W. Lewin
H. R. Malhotra
Barbara D. Marsh, M.B.
T. G. Richardson
K. T. Robinson
G. A. Turnbull, M.P.S.

Secretary
I. A. Hawtin

Financial Calendar

Dividend and interest payments

Ordinary dividends
Final 1980/81:
Announced 21st May 1981.
Payable 16th July 1981.
Interim 1981/82:
Announced 19th November 1981.
Payable 8th January 1982.
Final 1981/82:
Proposed mid-May 1982.
Payable mid-July 1982.

6% loan stock interest:
Paid 30th June, 30th September, 31st December and 31st March.

6½% loan stock interest:
Paid 1st September and 1st March.

7¾% loan stock interest:
Paid 30th September and 31st March.

8% loan stock interest:
Paid 31st July and 31st January.

6¾% bond interest:
Paid 1st August.

Results

For half-year:
Announced 19th November 1981.

For the year:
Announced mid-May 1982.

Report and accounts:
Circulated mid-June 1982.

For capital gains tax purposes the market value of a Boots share on 6th April 1965 was 40p and £100 6% loan stock was £90·37½.

Report and Accounts

for the year ended
31st March 1981

Contents

Annual General Meeting

Notice is hereby given that the annual general meeting of The Boots Company Ltd. will be held at The Chartered Insurance Institute, 20 Aldermanbury, London, EC2V 7HY, on Thursday 16th July 1981 at 11.00 a.m.

(A location map is available from the Secretary on request.)

The business of the meeting will be:

(a) To receive the directors' report and statement of accounts and the auditors' report thereon.

(b) To declare a final dividend.

(c) To re-elect directors.

(d) To re-appoint auditors.

(e) To fix the remuneration of auditors.

(f) To transact any other business which may be dealt with at the meeting.

Notes

1. A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.
2. A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 18th June to 15th July 1981, during usual business hours, and at the above address on 16th July 1981 from 10.30 a.m. until the conclusion of the meeting.
3. No director of the company has a written service agreement.

By order of the board, D. N. EDMUNDSON, Secretary.

Dated this 18th June 1981.

The directors would be glad to have an opportunity of meeting shareholders who will be attending.

Coffee will be served prior to the meeting from 10.30 a.m.

Board of Directors

Chairman	Sir Gordon Hobday
Vice chairmen	P. T. Main, M.D. *M. J. Verey
	K. Ackroyd, M.P.S. E. E. Cliffe R. N. Gunn H. J. Hann G. M. Hourston, M.P.S. *A. B. Marshall *D. A. G. Sarre *Sir Bernard Scott, C.B.E. G. R. Solway *A. D. Spencer B. H. C. Theobald
	*Non-executive directors
Audit committee	M. J. Verey (Chairman) A. B. Marshall D. A. G. Sarre Sir Bernard Scott, C.B.E. A. D. Spencer
Secretary	D. N. Edmundson
Registered office	Nottingham, NG2 3AA
Auditors	Peat, Marwick, Mitchell & Co.
Bankers	National Westminster Bank Ltd.

Directors' Report

The directors of The Boots Company Limited present their ninety-third annual report to shareholders, together with the audited accounts for the year ended 31st March 1981.

Group results

The company's consolidated profit and loss account for the year ended 31st March 1981 (with 1980 comparisons) includes the following details:

	1981 £m	1980 £m
Trading profit	**118·6**	116·9
Profit before taxation	**121·4**	121·3
Profit after taxation	**76·6**	81·4

Further details are shown in the profit and loss account on page 8.

Appropriations

The directors recommend the payment of a final dividend of 4·625p per share which, when added to the interim dividend of 2·875p already paid, makes a total dividend for the year of 7·5p per share. The payment of these dividends requires £27·2m (1980 £25·3m), leaving £49·0m (1980 £56·2m) retained in the business.

Group structure

The group's worldwide agrochemical interests were merged with those of Fisons Ltd. in December 1980 and the group owns 50% of FBC Holdings Limited which now conducts this business.

The group also acquired the minority holdings in both Beauté Hygiène et Soins S.A. and Technochemie GmbH Verfahrenstechnik during the year.

Principal activities

The principal activities of the group are retailing of chemist and other merchandise and the research, manufacturing and marketing of pharmaceuticals and consumer products throughout the world.

The figures shown below include the results of the group's agricultural business for the period prior to 31st December 1980.

Sales and trading profits are shown below:

	1981		1980	
	Sales £m	Trading profits £m	Sales £m	Trading profits £m
Retail Division	**1209·3**	**77·2**	1043·5	70·2
Industrial Division	**264·2**	**42·4**	248·2	42·9
Inter-divisional	**(99·7)**	—	(89·6)	—
	1373·8	**119·6**	1202·1	113·1
Other gains/losses	—	**(1·0)**	—	3·8
	1373·8	**118·6**	1202·1	116·9
Sales and related trading profits by geographical area are:				
Africa and Near East	**17·6**	**2·3**	13·7	1·7
Australasia	**14·6**	**1·7**	12·6	1·9
Asia	**18·8**	**3·4**	16·6	3·3
Americas	**93·8**	**4·6**	80·3	2·9
Europe	**40·1**	**8·7**	40·1	10·6
UK	**1188·9**	**98·9**	1038·8	92·7
	1373·8	**119·6**	1202·1	113·1

Exports

Exports from the UK in the year amounted to £51·1m (1980 £50·9m).

Finance

During the year new borrowings amounted to £0·3m and borrowings of £2·0m were repaid. Repayments included $4·7m of 6¾% convertible bonds 1993 exchanged for ordinary shares.

Cash resources decreased during the year by £8·3m, mainly as a result of capital expenditure, which was at a record level of £66·8m and increased working capital of £16·7m.

Fixed assets

The UK retail trading properties were valued by the directors at 1st January 1981, based on detailed assessments prepared by our own qualified valuers. These properties, representing 70% of the net book value of the group's total property portfolio, were valued at open market value at more than £300m over historical net book value. This valuation is in line with the values used in the current cost accounts but has not been incorporated in the historical cost accounts.

Accounting for inflation

A statement of group profits prepared under the current cost accounting convention, based on SSAP16, is shown on page 18. On this basis group profit before taxation is £92·4m (1980 £88·9m), and profit after taxation is £47·6m (1980 £49·0m). The profit after taxation attributable to the shareholders is £47·4m (1980 £51·4m).

Employees

The average weekly number of employees in the UK during the year was 66,100 (1980 68,443) which included 29,357 part-time staff (1980 30,266). The aggregate remuneration paid to these employees was £201·3m (1980 £180·1m).

The number of overseas employees was 5,768 (1980 5,327). The 33 African employees of our South African company are paid above the SLL. Further information is available on request to the Secretary.

Disabled persons

The company recognises its social and statutory duty to employ disabled persons and will do all that is practicable to meet this responsibility. Thus it is the company's policy to give full and fair consideration to applications for employment from disabled persons (whether registered disabled or not). In considering such applications due regard will be given to the aptitude and ability of the individual and the requirements of the post concerned.

Where an employee becomes disabled while employed by the company he or she will continue to be employed, wherever practicable, in the same job. If, for medical reasons, this is not practicable, or is not sensible from the individual's point of view, every effort will be made to find suitable alternative employment, and appropriate training will be given.

The company's general policy on training and promotion is to fit the qualifications and potential of each member of its staff to the appropriate job and career in the business. This policy is applied to disabled persons in the same way as to its other staff.

Charitable donations

Donations for charitable and educational purposes in the UK during the year totalled £239,000 (1980 £213,000). There were no political payments.

Directors' Report

Directors

The following changes in the membership of the board have taken place since the last annual general meeting. On 1st October 1980 **Dr. P. T. Main** was appointed Vice Chairman in succession to **Mr. A. D. Spencer** who, having reached normal retirement age, remained for the time being as a non-executive director. Mr. Spencer has now decided to retire as a director at the conclusion of the annual general meeting on 16th July. On 30th November 1980 **Lord Redmayne, P.C., D.S.O.**, resigned from the board having attained the age of 70. On 31st March 1981 **Mr. D. E. M. Appleby** resigned from the board on his retirement from the company. Mr. M. J. Verey retires by rotation in accordance with article 100 and offers himself for re-election. **Mr. G. M. Hourston** and **Mr. A. B. Marshall** were appointed as directors with effect from 1st May 1981. They each retire in accordance with article 107 and offer themselves for re-election.

Mr. Hourston is a pharmacist who joined the company in 1958. He has had wide experience in retail management and was appointed Director of Retail Staff in 1978. Mr. Marshall is Chairman of Bestobell Limited and was formerly Managing Director of P. & O. Steam Navigation Company.
Sir Gordon Hobday, having attained the age of 65, has been requested by the board to continue in office pursuant to article 109(G).

No director had any interest, either during or at the end of the financial year in any contract which was significant in relation to the group business.

The table below sets out the interests of the directors and their families in the share and loan capital of the company at 31st March 1981 or later date of appointment (holdings at 1st April 1980 are shown in brackets where they differ).

	Number of shares beneficially held	Loan stock beneficially held
Sir Gordon Hobday	24,000	£101
P. T. Main	2,500	—
M. J. Verey	7,300	—
K. Ackroyd	1,200	—
D. E. M. Appleby	2,100	—
E. E. Cliffe	1,540	—
R. N. Gunn	2,174	£23
H. J. Hann	1,000 (5,000)	—
G. M. Hourston	674	—
A. B. Marshall	—	—
D. A. G. Sarre	1,000 (500)	—
Sir Bernard Scott, C.B.E.	2,000 (4,000)	—
G. R. Solway	1,303 (750)	—
A. D. Spencer	3,500	—
B. H. C. Theobald	1,000	—

Directors' holdings at 21st May 1981 are unchanged.

Shareholders

At 31st March 1981 the register of shareholders contained 96,620 accounts, of which over 60,400 had 1,000 or fewer shares.

About 330 accounts each held more than 100,000 shares. Almost all of these are insurance companies, pension funds and other institutional investors representing the interests of many thousands of people.

The directors are not aware that any person held a beneficial interest in 5% or more of the share capital of the company at 21st May 1981. The largest shareholding (by an insurance company) was under 3%.

Company status

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

Auditors

It is proposed to re-appoint Messrs. Peat, Marwick, Mitchell & Co., as auditors and resolutions concerning their re-appointment and remuneration will be proposed at the annual general meeting.

By order of the board
D. N. Edmundson, Secretary, 21st May 1981.

Value Added Statement

for the year ended
31st March 1981

	1981			1980		
	£m	£m	%	£m	£m	%
Sales		1373·8			1202·1	
Cost of materials and services purchased		(974·7)			(836·8)	
Share of profit of associated companies		·9			·9	
Value added by trading		400·0			366·2	
Investment income		6·3			9·1	
Exchange loss on net current assets of overseas subsidiaries		(1·1)			(1·4)	
Extraordinary item		—			2·6	
Total value added		405·2			376·5	
Shared as follows:						
Employees						
Pay and related costs		261·7	64·6		232·0	61·6
Governments						
Taxation on profits		44·8	11·1		39·9	10·6
Reinvested in the business						
Depreciation	19·7			17·3		
Profit retained	49·0			58·2		
	—	68·7	16·9	—	75·5	20·1
Providers of capital						
Interest payable	2·4			3·3		
Minorities share of profit	·4			·4		
Dividends to shareholders	27·2			25·4		
	—	30·0	7·4	—	29·1	7·7
		405·2	100·0		376·5	100·0

Group Profit and Loss Account

for the year ended 31st March 1981

	Notes	1981 £m	1980 £m
Sales		**1373·8**	1202·1
Trading profit	2	**117·7**	116·0
Share of profit of associated companies		**·9**	·9
		118·6	116·9
Investment income	3	**6·3**	9·1
Interest payable	4	**(2·4)**	(3·3)
Exchange loss on net current assets of overseas subsidiaries		**(1·1)**	(1·4)
Profit before taxation		**121·4**	121·3
Taxation	5	**(44·8)**	(39·9)
Profit after taxation		**76·6**	81·4
Attributable to minority interests		**(·4)**	(·4)
Profit attributable to shareholders before extraordinary item		**76·2**	81·0
Extraordinary item	6	**—**	2·6
Profit attributable to shareholders after extraordinary item		**76·2**	83·6
Dividends	7	**(27·2)**	(25·4)
Profit retained	8	**49·0**	58·2
Earnings per share	9	**21·1p**	22·5p

Sources and Applications of Funds

for the year ended 31st March 1981

	1981 £m	1981 £m	1980 £m	1980 £m
Sources				
Group trading:				
Profit before taxation		121·4		121·3
Share of profit of associates/partnership		(1·3)		(1·9)
		120·1		119·4
Distributions from associates/partnership		1·5		—
Depreciation less surplus on disposal of fixed assets		17·0		12·3
Disposal of fixed assets		5·0		8·6
		143·6		140·3
Issue of ordinary shares		1·9		8·2
Borrowed money		·3		3·1
		145·8		151·6
Applications				
Capital expenditure		66·8		61·8
Investments:				
Associated companies	40·5		·2	
Transfer of subsidiaries	(40·4)		—	
	·1		·2	
Subsidiaries	1·5		—	
Other	·3		—	
		1·9		·2
Working capital:				
Increase in stocks	28·6		41·0	
Increase in debtors	6·9		12·0	
Increase in creditors	(18·8)		(8·4)	
		16·7		44·6
Repayment of borrowed money		2·0		39·3
Payment to Boots Pension Fund		2·5		2·4
Dividends paid		25·3		23·0
Taxation paid		38·7		29·3
Other applications		·2		1·0
		154·1		201·6
Decrease in net cash and short term investments		(8·3)		(50·0)
		145·8		151·6

Investment in associated companies represents investment in FBC Holdings Ltd. resulting from the transfer of subsidiaries which comprises fixed assets £10·0m, partnership £5·5m, and net working capital and cash of £24·9m.

Balance Sheets

31st March 1981

	Notes	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
Sources of capital					
Shareholders' interests					
Share capital	10	**90·6**	90·3	**90·6**	90·3
Reserves	11	**432·2**	384·0	**277·2**	244·4
		522·8	474·3	**367·8**	334·7
Borrowed money	12	**13·4**	15·5	**9·7**	11·9
Minority interests		**1·6**	2·3	—	—
Provision for pensions	13	—	3·5	—	3·1
		537·8	495·6	**377·5**	349·7
Employment of capital					
Fixed assets	14	**340·6**	306·3	**84·6**	82·7
Subsidiaries	15	—	—	**230·3**	209·6
Investments	16	**50·9**	18·1	**48·7**	9·1
Deferred taxation recoverable	17	**8·2**	2·6	**8·2**	2·8
Net current assets	18	**138·1**	168·6	**5·7**	45·5
		537·8	495·6	**377·5**	349·7

Approved by the board
21st May 1981

G. I. HOBDAY
P. T. MAIN | Directors

Notes relating to the Accounts

1. Accounting policies

Basis of accounting
The group accounts are prepared under the historical cost convention adjusted by the revaluations of certain properties.

Consolidation
The accounts combine the results of the company and its subsidiary and associated companies and partnership for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the book value of net assets acquired has been written off to reserves.

Associated companies are those companies in which the group has an equity interest of between twenty percent and fifty percent and over whose policies the group is able to exercise a significant degree of influence. The proportion of profits attributable to the group of those companies for the relevant accounting periods is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income.

In the group balance sheet associated companies are shown at cost, together with the group's share of reserves.

The accounts of all UK subsidiaries are made up to 31st March 1981, whereas the accounts of associates and overseas subsidiaries are made up to 31st December 1980 as adjusted for any abnormal transactions in the intervening period, in order to facilitate early presentation of group accounts. The accounts of overseas companies are translated into sterling at rates of exchange approximating to those ruling at 31st March 1981.

Profits and losses resulting from translation of net current assets of overseas subsidiaries are included in profit before taxation and those relating to fixed assets less long term liabilities are dealt with through reserves.

Sales
These comprise sales to external customers and exclude value added tax.

Depreciation
Depreciation is calculated to write off assets by equal instalments during their expected normal lives. The maximum life assumed for buildings is eighty years, and the lives assumed for fixtures and plant vary between three and twenty years.

Stock
Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development
Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding
The company and its UK subsidiaries operate a pension scheme under which contributions by employees and by the companies are held in a trustee administered fund separated from the companies' finances. Actuarial valuations of the fund are conducted at three-year intervals and include a review of contributions.

Certain overseas companies operate their own pension schemes.

Deferred taxation
No provision is made in respect of timing differences arising from accelerated capital allowances, stock appreciation relief, and other timing differences to the extent that such liabilities are not expected to become payable for a considerable period. Future tax recoveries relating to advance corporation tax and short term timing differences are anticipated to the extent that such recoveries are regarded as certain.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and associated companies as it is not intended to make such distributions.

2. Trading profit

The group's agrochemical interests were merged with those of Fisons Ltd. in December 1980 and the group now owns 50% of FBC Holdings Limited which conducts this business and will report on a calendar year basis. These accounts include the results of the agrochemical business for the period prior to 31st December 1980.

	1981 £m	1980 £m
Trading profit is after charging:		
Depreciation	**19·7**	17·3
Profit earning bonus for staff	**10·5**	10·5
Computer and plant hire.	**2·9**	2·3
Remuneration of auditors	**·3**	·2
and after crediting:		
Surplus on disposal of fixed assets	**2·7**	5·0

Notes relating to the Accounts

	1981 £m	1980 £m
3. Investment income		
Listed	·9	·8
Short term deposits	5·4	8·3
	6·3	9·1

Dividends of £0·2m (1980 nil) were received from associated companies during the year.

	1981 £m	1980 £m
4. Interest payable		
On borrowed money:		
Repayable within five years	·3	1·7
Not repayable within five years	·8	·8
Bank and other short term interest	1·3	·8
	2·4	3·3

	1981	1981 £m	1980	1980 £m
5. Taxation				
The charge on the profit of the year consists of:				
UK corporation tax at 52%		43·2		37·3
Relief for overseas taxation		(2·4)		(2·2)
Deferred taxation		—		2·2
Over-provision—prior years		(1·5)		—
Total UK taxation		39·3		37·3
Overseas taxation	5·2		3·9	
Over-provision—prior years	—		(1·6)	
		5·2		2·3
Share of taxation of associated companies		·3		·3
		44·8		39·9
The taxation charge has been reduced by:				
Accelerated capital allowances		11·3		10·3
Stock appreciation relief		7·5		12·4
Other timing differences		1·1		1·1
		19·9		23·8

The charge for UK corporation tax has been calculated in accordance with the stock relief provisions of the Finance Bill, 1981.

	1981 £m	1980 £m
6. Extraordinary item		
Profit on repayment of foreign currency borrowings	—	2·6
	—	2·6

	1981 £m	1980 £m
7. Dividends		
Interim paid of 2·875p per share	10·4	10·4
Final proposed of 4·625p per share	16·8	14·9
7·5 p per share		
Adjustment to final dividend	—	·1
	27·2	25·4

The adjustment to final dividend represents dividends paid on shares issued on conversion of US dollar bonds after 31st March.

	1981 £m	1980 £m
8. Profit retained by parent company		
Attributable to shareholders after extraordinary item	76·2	83·6
Profit retained by subsidiaries	(15·3)	(17·9)
Profit retained by associates	(·3)	(·6)
Profit of parent company	60·6	65·1
Dividends	(27·2)	(25·4)
Retained by parent company	33·4	39·7

9. Earnings per share

The calculation of earnings per share is based on earnings of £76·2m before extraordinary item (1980 £81·0m) and 361·9m (1980 359·5m) average ordinary shares in issue, weighted on a time basis.

The effect on earnings per share of full conversion of outstanding convertible US dollar bonds (and the exercise of outstanding options by employees) into ordinary shares of the company would not be material.

	1981 £m	1980 £m
10. Share capital		
Ordinary shares of 25p each:		
Authorised	**100·0**	100·0
Issued and fully paid	**90·6**	90·3

Under the terms of the savings-related share option scheme, approved by shareholders in July 1977, options may be granted enabling employees with over five years' service to subscribe for an aggregate of 10m ordinary shares of the company at approximately 90% of market price. So far, options exercisable from 1983 to 1987 at between 171p and 224p per share are outstanding in respect of 702,808 shares.

No further options will be granted under this scheme following the introduction of a similar scheme approved by shareholders in January 1981 and which is designed to take advantage of tax benefits introduced in 1980.

In January 1981 the shareholders also approved a profit-sharing share scheme enabling each qualifying member of staff to acquire ordinary shares at market price from his existing cash bonus.

Rights to shares under the new schemes commenced after 31st March 1981. Limitations are contained in each scheme and there is a maximum of 40 m ordinary shares available for both.

The convertible US dollar bonds may be converted into ordinary shares of the company at a fixed price of 216p until 1993. During the year ended 31st March 1981 1,138,527 shares have been issued in respect of US $4·7m bonds converted. A full exercise of remaining conversion rights would require the issue of approximately 1·1m shares.

	Group 1981 £m	Parent 1981 £m
11. Reserves		
At 31st March 1980	**384·0**	**244·4**
Profit retained	**49·0**	**33·4**
Goodwill arising on acquisitions	**(·7)**	**—**
Currency adjustments	**(1·7)**	**(2·2)**
Share premium on bond conversion	**1·6**	**1·6**
At 31st March 1981	**432·2**	**277·2**

Reserves at 31st March 1981 include share premium of £9·6m (1980 £8·0m).

	Group		Parent	
	1981 £m	1980 £m	**1981 £m**	1980 £m
12. Borrowed money				
Secured loans:				
3½% stock 1982	**1·0**	1·0	—	—
8½% stock 1978/82	**·1**	·2	—	—
Unsecured loans:				
6% stock 1978/83	**2·1**	2·1	**2·1**	2·1
6¼% stock 1983/88	**·8**	·8	—	—
7¾% stock 1988/93	**5·7**	5·7	**5·7**	5·7
8% stock 1986/91	**1·4**	1·4	—	—
6¾% convertible US dollar bonds 1993	**1·9**	4·1	**1·9**	4·1
Foreign currency	**·4**	·2	—	—
	13·4	15·5	**9·7**	11·9

(a) Repayments of borrowed money are expected within the following periods:

	Group 1981	Group 1980	Parent 1981	Parent 1980
One year	**·5**	·1	—	—
One-two years	**3·1**	·1	**2·1**	—
Two-five years	—	3·3	—	2·1
Over five years	**9·8**	12·0	**7·6**	9·8
	13·4	15·5	**9·7**	11·9

(b) All loans are repayable at par, except the 8% stock, which is repayable at £105 per cent.

(c) The 6¼% and 8% stocks are redeemable by yearly sinking funds.

	Group		Parent	
	1981 £m	1980 £m	**1981 £m**	1980 £m
13. Provision for pensions				
At 31st March 1980	**3·5**	6·0	**3·1**	5·5
Payment to Boots Pension Fund	**(2·5)**	(2·4)	**(2·5)**	(2·4)
Other adjustments	**(1·0)**	(·1)	**(·6)**	—
At 31st March 1981	**—**	3·5	**—**	3·1

An actuarial valuation of Boots Pension Fund at 31st March 1980 indicated a surplus and the future cost of pension increases granted since 1974 will be paid by the Fund. The balance of this provision has been included in creditors and will be used to defray future costs of ex-gratia pensions presently in payment.

Notes relating to the Accounts

	Group £m			Parent £m		
	Property	Fixtures and plant	Total	Property	Fixtures and plant	Total
14. Fixed assets						
Cost or valuation						
At 31st March 1980	195·8	204·5	400·3	34·1	83·6	117·7
Capital expenditure	28·8	38·0	66·8	7·8	11·4	19·2
Disposals	(3·1)	(16·4)	(19·5)	(1·5)	(11·7)	(13·2)
Currency adjustments	(·3)	(·5)	(·8)	—	—	—
At 31st March 1981	221·2	225·6	446·8	40·4	83·3	123·7
Cost	179·4	225·6	405·0	30·3	83·3	113·6
Independent valuation 1958	9·0	—	9·0	9·0	—	9·0
1959	1·0	—	1·0	—	—	—
1965	30·7	—	30·7	—	—	—
Directors' valuation 1971	1·1	—	1·1	1·1	—	1·1
	221·2	225·6	446·8	40·4	83·3	123·7
Depreciation						
At 31st March 1980	27·2	66·8	94·0	8·5	26·5	35·0
Depreciation for year	3·6	16·1	19·7	·8	6·7	7·5
Disposals	(·7)	(6·5)	(7·2)	(·1)	(3·3)	(3·4)
Currency adjustments	(·1)	(·2)	(·3)	—	—	—
At 31st March 1981	30·0	76·2	106·2	9·2	29·9	39·1
Net book value at 31st March 1981	191·2	149·4	340·6	31·2	53·4	84·6

	Cost or valuation £m	Depreciation £m	Net book value £m
The tenure of properties is as follows:			
Group			
Freehold land	32·7	—	32·7
Freehold buildings	123·6	18·9	104·7
Long lease	30·2	3·2	27·0
Short lease	34·7	7·9	26·8
Total	221·2	30·0	191·2
Parent			
Freehold land	2·2	—	2·2
Freehold buildings	34·6	8·7	25·9
Long lease	2·7	·4	2·3
Short lease	·9	·1	·8
Total	40·4	9·2	31·2

	1981 £m	1980 £m
15. Subsidiaries		
(a) Investments:		
At book value of net assets at acquisition	**15·3**	15·3
At cost less provision	**31·4**	30·9
	46·7	46·2
(b) Advances:		
Due from subsidiaries	**197·9**	182·6
Due to subsidiaries	**(14·3)**	(19·2)
	183·6	163·4
	230·3	209·6

(c) Investments in overseas subsidiaries are stated at local currency cost translated into sterling at the exchange rates ruling on 31st March 1981.

(d) The list of principal companies shown on page 17 forms part of this note.

	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
16. Investments				
(a) Partnership:				
At cost	—	6·1	—	—
Group share of reserves	—	1·0	—	—
(b) Associated companies:				
Shares at cost	**47·3**	8·3	**47·3**	8·3
Group share of reserves	**2·2**	1·9	—	—
(c) Listed:				
Holding in Kakenyaku Kako in Japan at cost	**1·4**	·8	**1·4**	·8
Market value on Tokyo Stock Exchange— £4·3m (1980 £2·7m).				
	50·9	18·1	**48·7**	9·1

(d) Overseas investments are stated at local currency cost translated into sterling at the exchange rates ruling on 31st March 1981.

(e) The list of principal companies shown on page 17 forms part of this note.

	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
17. Deferred taxation recoverable				
Advance corporation tax	**7·2**	6·4	**7·2**	6·4
Tax on short term timing differences	**1·0**	1·0	**1·0**	1·2
Stock appreciation relief	—	(4·8)	—	(4·8)
	8·2	2·6	**8·2**	2·8

Details of deferred taxation not provided are shown in note 21.

	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
18. Net current assets				
Stocks	**284·9**	268·5	**136·6**	130·7
Debtors	**78·6**	78·8	**55·9**	54·0
Cash and short term investments	**39·9**	60·9	**23·5**	48·1
	403·4	408·2	**216·0**	232·8
Creditors	**163·5**	148·6	**128·0**	111·1
Bank overdrafts	**33·9**	38·1	**35·1**	33·0
Taxation	**51·1**	40·0	**30·4**	28·3
Dividends	**16·8**	14·9	**16·8**	14·9
	265·3	239·6	**210·3**	187·3
	138·1	168·6	**5·7**	45·5
Stocks comprise:				
Manufacturing: Raw materials	**18·0**	19·2	**13·9**	14·6
Work in progress and finished goods	**28·2**	38·9	**18·5**	26·0
	46·2	58·1	**32·4**	40·6
Retailing	**238·7**	210·4	**104·2**	90·1
	284·9	268·5	**136·6**	130·7
Cash and short term investments comprise:				
Listed investments at cost Market value £10·6m (1980 £20·1m)	**10·0**	20·0	**10·0**	20·0
Short term deposits	**24·3**	34·3	**13·2**	27·8
Cash	**5·6**	6·6	**·3**	·3
	39·9	60·9	**23·5**	48·1

Bank overdrafts:
Overdrafts of certain overseas subsidiaries amounting to £0·7m at 31st December 1980 (1979 £0·8m) were secured on the assets of those subsidiaries.

	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
19. Commitments				
Future capital expenditure approved by the directors and not provided for in these accounts is as follows:				
Contracts placed	**57·7**	41·3	**25·0**	12·0
Contracts not placed	**12·8**	27·5	**10·2**	23·2
	70·5	68·8	**35·2**	35·2

20. Contingent liabilities
At 31st March 1981 these are:

(a) Guarantees and uncalled capital relating to subsidiaries £1·9m (1980 £1·8m) for the group and £1·9m (1980 £1·8m) for the parent.

(b) Commitment relating to the provision of pensions as provided by Boots Pension Scheme.

(c) Other guarantees and contingencies arising in the normal course of business.

Notes relating to the Accounts

	Group 1981 £m	Group 1980 £m	Parent 1981 £m	Parent 1980 £m
21. Deferred taxation				
The potential amounts of deferred taxation not provided in these accounts are as follows:				
Accelerated capital allowances	**75·9**	69·0	**34·3**	34·3
Stock appreciation relief	**54·9**	50·5	**32·6**	30·8
Capital gains taxation rolled over	**4·9**	4·3	**·3**	·3
Other items	**(1·2)**	(1·5)	**(1·5)**	(1·5)
	134·5	122·3	**65·7**	63·9

22. Remuneration of directors and senior UK employees

	1981 £000	1980 £000
(a) Remuneration of directors:		
Fees	**30**	28
Other remuneration	**553**	578
Payments to former directors	**118**	—
	701	606

(b) The remuneration of the chairman was £41,000 (1980 £41,000) and of the highest paid director was £60,000 (1980 £56,000) excluding pension contributions.

(c) An analysis of remuneration (excluding pension contributions) of directors and UK employees earning over £20,000 in the year is shown below.

		Numbers 1981	Numbers 1980
Directors:	£55,001 — 60,000	**1**	1
	£50,001 — 55,000	**1**	—
	£45,001 — 50,000	**1**	2
	£40,001 — 45,000	**2**	1
	£35,001 — 40,000	**1**	3
	£30,001 — 35,000	**4**	—
	£15,001 — 20,000	**—**	1
	£10,001 — 15,000	**—**	4
	£5,001 — 10,000	**3**	3
	£1 — 5,000	**1**	2
Employees:	£30,001 — 35,000	**1**	—
	£25,001 — 30,000	**11**	2
	£20,001 — 25,000	**61**	35

Mr. D. E. M. Appleby retired on 31st March 1981 in order to pursue his farming interests and accordingly resigned as a director on that date. The company has since entered into a lease to a limited partnership comprising Mr. Appleby and itself of the company's 450 acre West Drums Farm in Scotland for a period of four years from 6th April 1981. The rent payable to the company, which has been confirmed by the company's auditors as being fair and reasonable from the company's point of view, amounts to £8,580 in the first year and £13,050 each year for the remainder of the term.

Debtors include loans totalling £42,000 made to two officers, neither of whom is a director of the company.

Auditors' Report

to the members of
The Boots Company Ltd.

We have audited the accounts on pages 8 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts set out on pages 8 to 17 which have been prepared on the basis of the accounting policies set out on page 11, give a true and fair view of the state of affairs of the company and of the group at 31st March 1981 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Acts 1948 to 1980.

In our opinion the abridged supplementary current cost statements set out on pages 18 and 19 have been properly prepared, in accordance with the accounting policies and methods set out on page 19, to give the information required by Statement of Standard Accounting Practice No. 16.

PEAT, MARWICK, MITCHELL & CO.
Chartered accountants, Birmingham

21st May 1981

Principal Companies

		Percentage held by parent	Percentage held by subsidiaries	Principal activities
	Parent The Boots Company Ltd.			Manufacturing, marketing and distribution of pharmaceuticals and consumer products
	Subsidiaries (incorporated in Great Britain)			
	Boots The Chemists Ltd.	100		Retail chemists
	Boots Pure Drug Co. Ltd.	100		Management company
	Boots International Ltd.	100		Management company
	Timothy Whites Ltd.	100		Retail houseware
	Whites Property Co. Ltd.		100	Property holding
	Crookes Products Ltd.	100		Marketing consumer products
	Subsidiaries (incorporated overseas)			Activities refer to pharmaceutical and consumer products unless otherwise indicated
Australia	The Boots Company (Australia) Pty. Ltd.	100		Manufacturing and marketing
Belgium	The Boots Company (Belgium) S.A.		100	Marketing
Canada	Boots Drug Stores (Canada) Ltd.		100	Retail chemists
	Boots Drug Stores (Western) Ltd.		100	Wholesale and retail chemists
France	Laboratoires Boots-Dacour S.A.	92·5		Manufacturing and marketing
	Beauté Hygiène et Soins, S.A.	100		Retailing of cosmetics and toiletries
Holland	The Boots Company (Holland) B.V.	100		Marketing
India	The Boots Company (India) Ltd.	53		Manufacturing and marketing
Ireland	The Boots Company (Ireland) Ltd.	100		Marketing
Italy	Boots-Formenti S.p.A.	55		Marketing
Kenya	The Boots Company (Kenya) Ltd.		100	Manufacturing and marketing
New Zealand	Boots The Chemists (New Zealand) Ltd.	100		Retail chemists and marketing
Pakistan	The Boots Company (Pakistan) Ltd.	56·5		Manufacturing and marketing
Philippines	The Boots Company (Philippines) Inc.	100		Marketing
Singapore	The Boots Company (Far East) Pte. Ltd.	100		Marketing
South Africa	The Boots Company (South Africa) (Pty.) Ltd.	100		Manufacturing and marketing
Tanzania	K.O.C. (Tanzania) Ltd.		100	Manufacturing and marketing consumer products
Thailand	The Boots Company (Thailand) Ltd.	100		Marketing
	The Boots Manufacturing Co. (Thailand) Ltd.	100		Manufacturing
U.S.A.	Boots Pharmaceuticals Inc.		100	Manufacturing and marketing pharmaceuticals
West Germany	Technochemie GmbH Verfahrenstechnik	100		Manufacturing speciality chemicals

All the above shares held are ordinary shares. In addition the group owns 30·4% of the preferred shares in Boots Drug Stores (Canada) Ltd. and 100% of the preferred shares in Boots Drug Stores (Western) Ltd.

		Issued share capital	Percentage held	Principal activities
	Associated companies			
Great Britain	FBC Holdings Ltd.	3,000 ordinary shares of £1 fully paid	50	Manufacturing, wholesaling and retailing of agrochemicals worldwide
Nigeria	The Boots Company (Nigeria) Ltd.	6,000,000 ordinary shares of 50 kobo fully paid	40	Manufacturing and marketing
Spain	Laboratorios Liade S.A.	167,208 ordinary shares of 1,000 pesetas fully paid	50	Manufacturing and marketing

Unless otherwise indicated all the companies operate principally in the country of incorporation.

Current Cost Statements

31st March 1981

	Notes	1981 £m	1981 £m	1980 £m	1980 £m
Group profit and loss account					
Sales			1373·8		1202·1
Trading profit on historical cost basis			118·6		116·9
Current cost adjustments:					
Depreciation and surplus on disposal of fixed assets		(25·0)		(25·5)	
Cost of sales		(19·4)		(19·6)	
Monetary working capital		14·0		11·1	
			(30·4)		(34·0)
Trading profit			88·2		82·9
Gearing adjustment			·3		·2
Investment income			6·3		9·1
Interest payable			(2·4)		(3·3)
Profit before taxation			92·4		88·9
Taxation			(44·8)		(39·9)
Profit after taxation			47·6		49·0
Attributable to minority interests		(·2)		(·2)	
Extraordinary item		—		2·6	
			(·2)		2·4
Profit attributable to shareholders			47·4		51·4
Dividends			(27·2)		(25·4)
Retained profit, dealt with in general reserve			20·2		26·0
Earnings per share			13·1p		13·6p

	Notes	1981 £m	1980 £m
Group balance sheet			
Shareholders' interests:			
Share capital		90·6	90·3
Current cost reserve	2	580·3	467·9
General reserve		355·0	335·6
		1025·9	893·8
Borrowed money		13·4	15·5
Minority interests		1·9	2·8
Provision for pensions		—	3·5
		1041·2	915·6
Fixed assets	3	834·1	719·0
Investments		58·6	20·0
Deferred taxation recoverable		8·2	2·6
Stock		287·1	273·9
Monetary working capital		(121·7)	(97·4)
Other net current assets		(25·1)	(2·5)
		1041·2	915·6

Notes relating to the Current Cost Statements

1. Accounting policies

Depreciation
The depreciation adjustment represents the additional charge against profits as a result of depreciating and recalculating surplus on disposal of fixed assets on estimated current cost rather than on historical cost. It has been calculated by applying the appropriate retail and industrial indices, prepared by the Central Statistical Office, to the depreciation charge on fittings and plant. Depreciation on buildings has been recalculated using construction cost indices. Asset lives have not been reassessed.

Cost of sales
The cost of sales adjustment represents the difference between the historical manufacturing or purchase cost and the estimated current cost of goods at the date of sale as derived from the group's costing systems.

Monetary working capital
The monetary working capital adjustment allows for the effect of price changes on the monetary working capital needed to support operating capability. Monetary working capital is negative and comprises creditors less the aggregate of debtors and cash floats.

Gearing adjustment
This reduces the depreciation, cost of sales and monetary working capital adjustments by the proportion of finance provided other than as shareholders' funds calculated on a current cost basis.

Valuation of assets
Land has been revalued using an index constructed by qualified valuers within the company. Other fixed assets and stock have been revalued using the same methods as for depreciation and cost of sales adjustments. Investment in FBC Holdings Ltd. has been valued at current cost of net assets transferred. Other investments are stated at directors' valuation.

Overseas companies
Overseas subsidiaries have generally calculated their adjustments using local indices or information available from their own costing systems. Profits and losses resulting from translation of net assets of overseas subsidiaries are not included in current cost profits.

Other policies
The other accounting policies used in the current cost statements are unchanged from those stated on page 11.

2. Current cost reserve

	£m	£m
At 31st March 1980		467·9
Revaluation surpluses:		
Property	97·1	
Fixtures and plant	8·9	
Investments	5·8	
Stocks	16·0	
		127·8
Monetary working capital		(14·0)
Gearing adjustment		(·3)
Currency adjustments		(1·1)
At 31st March 1981		580·3

3. Fixed assets

	Property £m	Fixtures and plant £m	Total £m
At 31st March 1981:			
Current cost	783·4	428·5	1211·9
Depreciation	166·2	211·6	377·8
Net current cost value	617·2	216·9	834·1
At 31st March 1980	511·0	208·0	719·0

4. Comparative figures

Comparative figures have not been adjusted to a common price basis.

Group Financial Record

	1981		1980		1979		1978		1977	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales										
Industrial Division:										
UK and exports	204·4		198·6		178·0		155·4		128·9	
Overseas	74·3		65·7		60·2		52·6		42·3	
Intra-divisional	(14·5)		(16·1)		(16·2)		(14·0)		(9·3)	
		264·2		248·2		222·0		194·0		161·9
Retail Division:										
UK	1134·7		980·5		858·5		743·0		628·4	
Overseas	74·6		63·0		48·5		14·2		1·7	
		1209·3		1043·5		907·0		757·2		630·1
Inter-divisional		(99·[illegible])		(89·6)		(76·0)		(67·4)		(57·0)
Total		1373·8		1202·1		1053·0		883·8		735·0
Profits										
Industrial Division:										
UK and exports	33·9		34·0		30·2		31·2		29·7	
Overseas	8·5		8·9		11·0		9·1		9·5	
		42·4		42·9		41·2		40·3		39·2
Retail Division:										
UK	79·6		73·4		69·1		60·3		54·9	
Overseas	(2·4)		(3·2)		(1·8)		(·1)			
		77·2		70·2		67·3		60·2		54·9
Interest and other net income		1·8		8·2		4·5		6·5		(3·0)
Profit before taxation		121·4		121·3		113·0		107·0		91·1
Taxation		(44·8)		(39·9)		(35·6)		(33·3)		(28·7)
Profit after taxation		76·6		81·4		77·4		73·7		62·4
Minority interests/ extraordinary items		(·4)		2·2		(·8)		(·7)		(·8)
Dividends		(27·2)		(25·4)		(21·4)		(10·6)		(9·7)
Funds retained										
Profit retained	49·0		58·2		55·2		62·4		51·9	
Depreciation	19·7		17·3		13·3		12·7		10·5	
		68·7		75·5		68·5		75·1		62·4
Capital expenditure										
Industrial Division	18·1		15·5		20·0		14·9		9·2	
Retail Division	48·7		46·3		36·2		25·2		27·8	
		66·8		61·8		56·2		40·1		37·0
Sources of capital										
Share capital and reserves		522·8		474·3		410·0		349·0		300·1
Borrowed money		13·4		15·5		54·8		34·8		11·6
Other sources		1·6		5·8		8·5		11·2		10·7
		537·8		495·6		473·3		395·0		322·4
Employment of capital										
Fixed assets		340·6		306·3		266·2		224·0		194·4
Investments		50·9		18·1		17·8		1·0		1·0
Deferred taxation		8·2		2·6		4·5		7·2		10·8
Net current assets		138·1		168·6		184·8		162·8		116·2
		537·8		495·6		473·3		395·0		322·4
Other statistics										
Earnings per share		21·1p		22·5p		21·6p		20·5p		17·3p
Dividend per share		7·5p		7·0p		6·0p		3·0p		2·7p
Dividend cover		2·8		3·3		3·6		6·9		6·4
Profit after taxation as % of capital employed (note 1)		14·2		16·4		16·4		18·7		19·4

Notes

1. The book value of the group's property which amounts to 36% of the capital employed is, in the opinion of the directors substantially below its current value (see page 5).
2. This table has been revised to reflect the change in deferred taxation policy in 1979. No retrospective amendments have been made in respect of changes in policy regarding depreciation (1979) and stocks (1977).

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